

THE GREAT STATE OF  
**OKLAHOMA**



2014  
**COMPREHENSIVE  
ANNUAL  
FINANCIAL  
REPORT**

FISCAL YEAR ENDED JUNE 30, 2014

In tribute to Will Rogers, "Oklahoma's Favorite Son." Photographs included in the Comprehensive Annual Financial Report were taken at various locations in or near Claremore, Oklahoma. The Will Rogers Memorial Museum and Birthplace Ranch feature many aspects of Will Rogers' life including his work in radio, movies, vaudeville and theater as well as his history as a syndicated newspaper columnist and author.

Photographs provided by Stefani L. Hovarter, CPA, CGFM, employee of the Oklahoma Office of Management and Enterprise Services.

# **OKLAHOMA 2014**

**Comprehensive Annual Financial Report  
for the Fiscal Year Ended June 30, 2014**

Mary Fallin  
Governor

Prepared by  
Office of Management and Enterprise Services

Preston L. Doerflinger, Director  
Lynne Bajema, State Comptroller

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This publication is issued under authority of the Office of Management and Enterprise Services. Pursuant to 74 O.S. 1992, Section 3105, 50 bound copies have been

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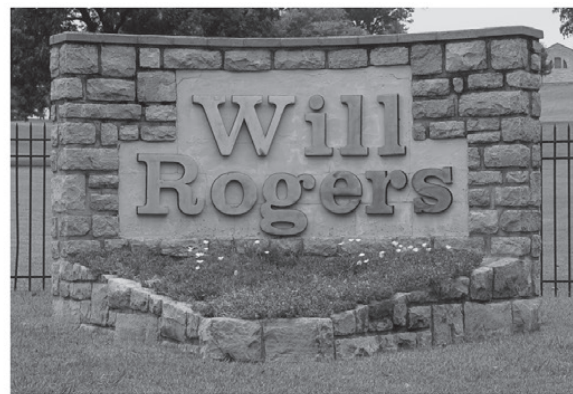
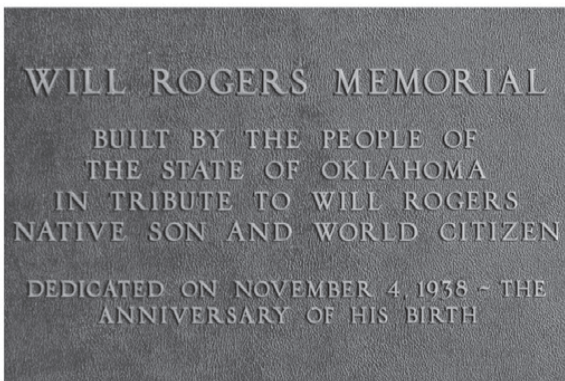
Requests for additional copies, comments or questions may be directed to Susan Perry, Office of Management and Enterprise Services, 2300 North Lincoln Blvd., Suite 122, Oklahoma City, Oklahoma 73105.



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## Introductory Section

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## **Introductory Section**





**State of Oklahoma**  
Office of Management and Enterprise Services

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December 31, 2014

To the Honorable Mary Fallin, Governor  
Members of the Legislature, and  
Citizens of the State of Oklahoma

The Office of Management and Enterprise Services is pleased to present the Comprehensive Annual Financial Report (CAFR) for the State of Oklahoma for the fiscal year ended June 30, 2014. This report is presented in three sections — introductory, financial and statistical — as the primary means of reporting the state government's financial activities. Its objectives are to provide a clear picture of the government as a single, unified entity and to provide traditional fund based financial statements. The CAFR has been prepared in conformity with relevant Governmental Accounting Standards Board statements.

The Introductory Section contains an overview of the state's economic performance, a review of current initiatives and summary financial data. The Financial Section contains Management's Discussion and Analysis, Government-wide Financial Statements and Fund Financial Statements for governmental funds, proprietary funds, fiduciary funds and similar component units, and major component units. The Financial Section also includes the Notes to the Financial Statements, Required Supplementary Information and Other Supplementary Information. The Statistical Section contains selected financial and demographic information. Management's discussion and analysis contains complementary information, and readers are encouraged to review this section.

## **PROFILE OF THE GOVERNMENT**

Management of the state, through the Office of Management and Enterprise Services (OMES), is responsible for the accuracy, fairness and completeness of the financial statements presented in this report. The statements have been prepared in accordance with generally accepted accounting principles. To the best of our knowledge and belief, the information presented is accurate in all material respects and includes all disclosures necessary for an understanding of the state's financial position and activities. The governor and Legislature govern all funds and accounts for every executive agency, board, commission, public trust, authority, college and university whose data are presented in this report. The financial reporting entity, the State of Oklahoma, includes these funds, organizations, agencies, boards, commissions and authorities. In accordance with Governmental Accounting Standards Board Statement 14, the state financial reporting entity includes 21 component units. There are seven major component units, eight nonmajor component units, and six fiduciary component units. The major and nonmajor component units are discretely presented in the Financial Statements. The fiduciary component units are presented in the fiduciary fund and similar component units' financial statements, along with the other fiduciary activities of the state. The fiduciary activities are not included in the Government-wide Financial Statements because the resources of these funds are not available to support the state's own programs.

State finances are governed by rules designed to ensure sound, conservative management. The Legislature cannot appropriate more than 95 percent of the general revenue expected to be collected in the coming year. The state Board of Equalization, an independent board not subject to legislative control, establishes the legislative appropriation authority. Unlike many states that use seasonal borrowing to meet cash demands, Oklahoma maintains a cash flow reserve sufficient to meet fluctuating cash needs. General obligation indebtedness is prohibited without a vote of the people. When revenue receipts are less than estimated, the director of finance is mandated by the Oklahoma Constitution to declare a revenue shortfall and reduce appropriations as required to allow appropriations to be covered by current year tax collections.



The state's financial statements have been audited by the Office of the State Auditor and Inspector. The goal of the independent audit was to provide reasonable assurance that the financial statements of the state for the fiscal year ended June 30, 2014, are free of material misstatement. The audit was conducted in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the comptroller general of the United States. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and the significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded that, based upon the audit, there was a reasonable basis for rendering an unqualified opinion and that the State of Oklahoma's financial statements for the fiscal year ended June 30, 2014, are fairly presented in conformity with generally accepted accounting principles. The independent auditor's report is presented as the first component of the Financial Section of this report.

## **Internal Controls**

Management of the State of Oklahoma is responsible for the establishment and maintenance of internal accounting controls designed to ensure assets are safeguarded and financial transactions are properly recorded and adequately documented. Such internal controls require estimates and judgments from management so that, in attaining reasonable assurance as to the adequacy of such controls, the cost does not exceed the benefit obtained.

## **Budget and Fiscal Policy**

The budget process begins when each agency, other than the Legislature that expends money through the state treasury submits an annual budget request to OMES. Copies are also provided to the legislative fiscal staffs. These requests are reviewed and analyzed for the governor by OMES. The governor then makes formal recommendations in the executive budget which is presented to the Legislature on the first day of the legislative session. During the legislative session, legislative committees review agency needs and recommend appropriation levels. Then the Legislature must approve all appropriation bills to fund agency operations for the next fiscal year. Appropriation bills provide for state appropriated funds and establish spending limits for state agencies. The governor can accept, reject or line-item veto particular legislative appropriations. Before encumbering or spending money in the fiscal year, each agency must submit a Budget Work Program to OMES. The program outlines, by object of expenditure, fund source and program category, how the agency plans to spend the available state, federal and revolving funds during the fiscal year. OMES must approve an agency's budget work program before agencies can encumber or spend available funds.

Oklahoma's Constitution restricts total appropriations to 95 percent of estimated general revenues. The Board of Equalization is responsible for approving the official itemized estimate of revenues based upon information provided by OMES and the Oklahoma Tax Commission and sets the amount of legislative appropriations authority. The board is comprised of six elected officials and the president of the state Board of Agriculture. The six elected officials are the governor, the state auditor and inspector, the state treasurer, the lieutenant governor, the attorney general, and the superintendent of public instruction.

The constitution requires that collections in excess of the Board of Equalization's itemized estimate of General Revenue Fund revenues be deposited to the Stabilization, or "Rainy Day" Fund each year until the balance of the Rainy Day Fund equals 15 percent of the prior fiscal year's General Revenue Fund certified appropriations authority. In November 2004, Oklahoma voters enacted restrictions on the use of the Rainy Day Fund. Up to one-fourth of the July 1 balance each year may be appropriated upon an emergency declaration by the governor with concurrence of two-thirds of the House and Senate, or by a declaration of an emergency by the House speaker and Senate's president pro tempore with concurrence of three-fourths of the members of each legislative body. Up to three-eighths of the fund may be accessed if the Board of Equalization is forecasting a decline in state revenues for the coming fiscal year and up to three-eighths may be utilized in the event of a current year revenue shortfall.

The state also has an oversight process for the issuance of debt. The Council on Bond Oversight is responsible for the review and approval of all debt issued by the state, its agencies and public trusts, and performs an assessment of all capital leases.

## **Proprietary Operations**

The state's proprietary operations are comprised of governmental agencies and quasi-governmental agencies providing goods or services to the public on a user charge basis. These activities are financed and operated in a manner similar to private business enterprises. They operate with the intent to recover the costs of operations from those directly benefiting from the goods or services. Some of the activities included in the state's proprietary operations are power generating plants, turnpikes, medical services, and insurance and financing services for both public and private entities.

## **Capital Assets**

These financial statements include the capital assets of the state. A discussion of capital assets accounting is included in the management discussion and analysis that is part of the basic financial statements. More detailed information about capital assets can be found in the notes to the financial statements.

## **Debt Administration**

General obligation bonds are backed by the full faith and credit of the state, including the state's power to levy additional taxes to ensure repayment of the debt. Accordingly, all general obligation debt currently outstanding was approved by a vote of the citizens. The general obligation bonds of the state are rated "Aa2" by Moody's Investors Service, "AA+" by Fitch Investors Service, and "AA+" by Standard & Poor's Corp. Before a 1993 general obligation bond program, except for refunding bonds, the state last issued general obligation bonds in 1968. Certain maturities of those bonds were advance refunded in 1977, 2003, 2011 and again in 2013. As of June 30, 2014, the outstanding general obligation net debt of the State of Oklahoma was \$132 million. This figure excludes the self-supporting taxable bonds of the Oklahoma Industrial Finance Authority, which are secured by the repayment of loans made to private businesses. State revenues have never been required to support debt service payments on these obligations.

Various agencies, trusts and authorities issue revenue bonds on behalf of the State of Oklahoma, and these obligations are supported solely by the revenues of the issuing entities. Revenues may include appropriations to the respective entities. More detailed information about long-term obligations can be found in the Notes to the Financial Statements.

## **ECONOMIC CONDITIONS AND OUTLOOK**

With a few obstacles, Oklahoma's economy should remain growing and vibrant due to traditionally strong sectors such as oil and gas and continued growth in areas such as manufacturing.

Oklahoma will be one of four states in 2015 to lead the nation in economic output, according to an October report by Standard & Poor's, the credit ratings agency. The report predicts the economies of Oklahoma, Arkansas, Louisiana and Texas will grow by more than 3.5 percent in 2015.

Such growth will continue Oklahoma's strong performance. Through October 2014, monthly gross receipts to the Oklahoma Treasury — the state's share of personal and corporate income taxes, sales taxes, gross production taxes, motor vehicle taxes and other collections — were up nearly 5 percent during the last 12 months. That is a good sign "Oklahoma's economy continues its steady expansion," state Treasurer Ken Miller said in a news release.

Oklahoma has been one of the nation's fastest growing states in recent years, with its gross domestic product — the output of goods and services produced by labor and property used as the broadest measure of economic activity — rising 7.3 percent from 2011-2013, according to U.S. Bureau of Economic Analysis numbers. The 2013 growth rate, 4.2 percent, was more than double the national average, 1.9 percent, and the fourth-highest annual GDP growth rate among states.

The mining sector, which includes the oil and gas industry, accounted for nearly 13 percent of the state's GDP in 2013. Oklahoma accounts for more than 3 percent of the total U.S. oil production and almost one-tenth of the U.S. natural gas production. Cushing is one of the nation's largest oil hubs — much of the nation's oil is stored, priced and blended there.

Two of the 100 largest U.S. oilfields are found in Oklahoma; and more than a dozen of the 100 largest natural gas fields in the country are located in Oklahoma.

All three Oklahoma metropolitan areas outpaced or equaled U.S. metropolitan area real GDP growth in 2013, according to the U.S. Bureau of Economic Analysis statistics. The Oklahoma City area grew 3.9 percent and ranked 56th out of 381 metro areas. Tulsa grew 3.5 percent and ranked at 68th. Lawton grew 1.7 percent and ranked 175th.

While the prospects for continued economic growth in 2015 are positive, there are a few obstacles such as the effect of recent falling oil prices.

“Declining oil prices is the major headwind facing the Oklahoma economy,” said Dan Rickman, a regent’s professor in economics at Oklahoma State University, at an economic outlook conference in December 2014. “The current forecast is for a minor decline in energy related employment in 2015, but the decline will prove to be greater should oil prices fall further.”

Rickman said while declining oil prices could slow economic growth, it isn’t the entire picture as Oklahoma’s economy has diversified and is not as dependent on oil and gas as it was before the oil bust of the early 1980s.

Oklahoma’s score on the Mid-America Business Conditions Index, a leading economic indicator for a nine-state region stretching from North Dakota to Arkansas, has recently dipped in part due to falling oil prices. The index rates states from 0-100. A score below 50 indicates a slowdown in economic growth in the next three to six months.

Oklahoma scored 58 in September, but slumped to 48 in October. Sharp declines in grain and oil prices drove the index down in October, but while the growth will decline it is expected to remain positive, said Ernie Goss, director of Creighton University’s Economic Forecasting Group, which conducts the monthly survey. In November, Oklahoma’s index score rebounded to 54.5.

“During the national recession, December 2007 to June 2009, Oklahoma lost more than 21,000, or approximately one-fifth, of its manufacturing jobs,” Goss said. “Since the recovery began in July 2009 the state has regained more than 16,000, or approximately 76 percent, of the lost manufacturing jobs. Our surveys of businesses in Oklahoma indicate the state’s manufacturing employment will return to pre-recession levels in the second half of 2015.”

Another challenge is meeting the needs of a changing economy. A report released in June by the Information Technology and Innovation Foundation ranked Oklahoma 48th among states in meeting the needs of the “new economy” — defined as knowledge based, globalized, entrepreneurial, information technology driven and innovation based. The report’s State New Economy Index cited the workforce’s educational attainment, employment in high-wage traded services, the state’s economic globalization, digitizing the economy and government, and the number of high-tech jobs as areas Oklahoma could improve.

Oklahoma has taken several steps to confront such challenges. The Oklahoma Department of Career and Technology Education system is often used as a model for other programs. The system offers programs and services throughout nearly 400 public school districts, 29 technology centers with 59 campus sites, and 16 correctional facility skills centers. Annually, enrollment in CareerTech classes is about 500,000.

Oklahoma public colleges awarded a record level of degrees and certificates in the last academic year, with a growing number of them in science- and math-related fields. More than 35,500 degrees and certificates were granted in Oklahoma during the 2013-14 school year.

Degrees in science, technology, engineering and mathematics have increased by 28 percent during the last five years. In 2014, more than 6,100 degrees were granted in the disciplines, nearly a 4 percent increase from the previous year. In April 2014, Gov. Mary Fallin signed a law providing criteria to designate communities that specialize in the fields and increase the number of qualified job candidates.

During 2014, Fallin also signed several other pieces of business friendly legislation:

- A bill preventing municipalities from mandating a minimum wage higher than the national rate.
- A bill extending tax incentives to employers and employees in the aerospace industry until Jan. 1, 2018.
- A bill eliminating the county population requirement for a small business to qualify for the Small Employer Quality Jobs program.

- A measure allowing Oklahoma’s military installations to direct Oklahoma Quality Jobs Act funding to a “proxy establishment” for use in job creation, land acquisition and infrastructure development.

Oklahoma has also won praise for its pension system reform. Fallin signed legislation in May 2014 to transition new state government hires — exempting teachers and “hazardous duty” employees such as firefighters and law enforcement — into a 401(k)-style pension plan beginning in November 2015. Oklahoma became the third state to require a defined-contribution plan.

“This is likely to be the most significant state reform in 2014,” the Reason Foundation claimed in response.

The more staid Fitch Ratings noted in a November 2014 bond rating, “Several rounds of pension reform have improved the state’s long-term liability position, with the combined burden of debt and pensions slightly above the state median.” The largest reduction in the state’s unfunded pension liability came in 2011 through legislation requiring full funding of cost of living adjustments, reducing the unfunded liability from roughly \$16 billion to around \$10 billion.

Among the business community, Oklahoma is lauded for tax, right-to-work and workers’ compensation reform. In 2014, Oklahoma furthered this reputation by passing legislation to gradually reduce the state’s top personal income tax rate from 5.25 to 4.85 percent. That’s on top of a state and local tax burden that was already the ninth lowest in the nation, according to 2011 data from the Federation of Tax Administrators released in 2013. Oklahomans pay \$1,144 less per person than the national average.

In 2014, more than 110 companies announced plans to expand in Oklahoma and hire thousands and invest billions. The companies include businesses such as Macy’s Inc., Koch Industries Inc. and Enable Midstream Partners LP.

Oklahoma is one of only a handful of states to have an unemployment rate below the national average and a net gain in jobs since the Great Recession began in December 2007. The state’s total employment has grown by 110,200 jobs since January 2011.

Since January 2011, Oklahoma has had a lower unemployment rate than the nation as a whole. Oklahoma’s unemployment rate was 4.7 percent in September 2014, down 0.9 percentage points from a year earlier. The national unemployment rate was 5.9 percent in September. Oklahoma’s unemployment rate has consistently declined since a February 2010 peak of 7.2 percent.

The low unemployment rate combined with the proliferations of jobs has resulted in an 18.1 percent growth in wages and salary since 2011 — the best growth among states during that time.

A better salary, job opportunities and a cost of living that ranges from 88-90 percent of the national average have helped attract people from out of state. More than 24,000 people moved to the state in 2013, the most recent year that data are available.

Home prices in Oklahoma have increased by 2.7 percent from the second quarter of 2013 to the second quarter of 2014. They are up 6.9 percent since their recent low in the third quarter of 2011 and are 3.2 percent above their peak before the housing crash.

Oklahoma homebuilders stepped up building permit applications in September 2014. Reflecting a surge in apartment permitting, total residential building permitting for September was at an unadjusted level of 1,214 units, up by 29.4 percent compared to August, according to figures from the U.S. Census Bureau and the Department of Housing and Urban Development. Permits are considered a leading indicator for the residential construction industry and the overall economy.

Some other highlights of Oklahoma’s economy:

- U.S. Bureau of Economic Analysis figures show that Oklahoma was No. 1 in durable goods manufacturing from the first to second quarter of 2014. Oklahoma saw a 4.1 percent increase, while the U.S. grew 2 percent.
- 2014 Fortune 500 companies Chesapeake Energy Corp. (163), ONEOK Inc. (200), Devon Energy Corp. (270) and The Williams Cos. Inc. (380) are headquartered in Oklahoma.

- Nearly 300 companies in the Fortune 500 — such as General Electric (9), Hewlett-Packard (17), Boeing (30) and Halliburton Co. (103) — operate in Oklahoma, employing more than 180,000 in the state.
- Three other Oklahoma-based companies, Love’s Travel Stops (13), QuikTrip (27) and Hobby Lobby (138) are on Forbes magazine’s list of largest private companies in 2014.
- Small businesses in Oklahoma employ more than 675,000 people in the state’s private sector and have payrolls greater than \$23.1 billion, according to the Oklahoma Department of Commerce.
- Platts’ 2014 Top Global Energy Company rankings contained eight Oklahoma energy companies.
- Twenty Oklahoma companies made the 2014 Inc. top 5,000 list of the fastest-growing private sector companies in the nation.
- Oklahoma generates more gypsum rock than any other state. The mineral is used primarily in roads and construction materials, but can be found as well in a variety of foods, including beer and bread.
- The U.S. Chamber of Commerce Foundation ranked Oklahoma 13th for overall economic performance in its “Enterprising States 2014” report. Other top 10 rankings for the state in the report include fifth in per capita income growth, fifth in college affordability, sixth in cost of living and seventh in long-term job growth.
- CNBC ranked Oklahoma No. 1 for cost of doing business and No. 3 in cost of living in its 2014 America’s top states for business feature.
- 24/7 Wall St. ranked Oklahoma in the middle of the pack of the best run states in America. Oklahoma’s ranking of 25th was buoyed by the state’s strong economic growth rate, low unemployment rate and the 18th lowest debt per capita, \$2,592.
- Oklahoma was ranked No. 7 on Thumbtack’s 2014 survey of small business friendliness. The survey used data from more than 12,000 small-business owners. Oklahoma improved its rating 11 slots since the 2013 survey, earning a grade of A or above in the categories of ease of starting a business, regulations, tax code, licensing, zoning, and training and networking programs. Oklahoma earned an F grade for ease of hiring.
- For the third year in a row, the Fraser Institute ranked Oklahoma in 2014 the world’s most attractive location for oil and gas investment.
- Kiplinger ranked Oklahoma City No. 1 and Tulsa No. 4 on its 2014 best cities for starting a business list. A large number of small businesses, low cost of living and low business costs were among the factors.
- Forbes ranked Oklahoma City seventh and Tulsa 68th on its 2014 list of best places for business and careers. The list was based on business costs, job growth, education and population.



- Forbes ranked Oklahoma City fifth among big cities leading a manufacturing revival.
- 24/7 Wall St. ranked Stillwater No. 7 on its 2014 list of cities where wealth is soaring.
- The Tax Foundation's 2015 State Business Tax Climate Index ranked Oklahoma No. 1 in unemployment insurance taxes, No. 7 in corporate taxes and No. 11 in property taxes. Overall the index ranked Oklahoma 32 because of poor ranking in sales tax, No. 38, and individual income tax, No. 40.
- Website Find the Best ranked Oklahoma No. 2 for recent college graduates since the recession, based on median income, unemployment rates and tuition costs. North Dakota was No. 1.

Highlights of the fiscal year 2014 and fiscal year 2015 executive branch budgets include (expressed in millions):

	Amount Appropriated		Percentage of Total Appropriations		Increase (Decrease) from Prior Year		Percentage Increase (Decrease)	
	2014	2015	2014	2015	2014	2015	2014	2015
Department of Education	\$ 2,408	\$ 2,487	34%	34%	\$ 74	\$ 79	3%	3%
Regents for Higher Education	989	989	14%	14%	34	0	4%	0%
Career & Technical Education	138	139	2%	2%	3	1	2%	1%
Other Education	54	46	1%	1%	16	(8)	42%	(15%)
Total Education	3,589	3,661	51%	51%	127	72	4%	2%
Department of Health	63	61	1%	1%	1	(2)	2%	(3%)
Health Care Authority	954	906	13%	12%	32	(48)	3%	(5%)
Department of Mental Health	337	339	5%	5%	26	2	8%	1%
Other Health	57	55	1%	1%	15	(2)	36%	(4%)
Total Health	1,411	1,361	20%	19%	74	(50)	6%	(4%)
Department of Human Services	631	676	9%	10%	44	45	7%	7%
Office of Juvenile Affairs	98	97	1%	1%	2	(1)	2%	(1%)
Other Human Services	78	75	1%	1%	3	(3)	4%	(4%)
Total Human Services	807	848	11%	12%	49	41	6%	5%
Department of Corrections	464	471	7%	7%	-	7	0%	2%
Department of Transportation	209	197	3%	3%	3	(12)	1%	(6%)
Department of Public Safety	90	96	1%	1%	-	6	0%	7%
Other	513	473	7%	7%	2	(40)	0%	(8%)
Total	\$ 7,083	\$ 7,107	100%	100%	\$ 255	\$ 24	4%	0%

## FINANCIAL INFORMATION

### Governmental Functions

Most financial operations of the state are reported in governmental fund types, which are the General Fund and the Permanent Funds. Following are schedules of revenues and expenditures for these governmental funds. Note that the following tables present data according to generally accepted accounting principles (GAAP) for the fiscal year ended June 30, 2014, while previous tables have presented budgetary data for this and later periods. Transfers are primarily from the General Fund to support public institutions of higher education.

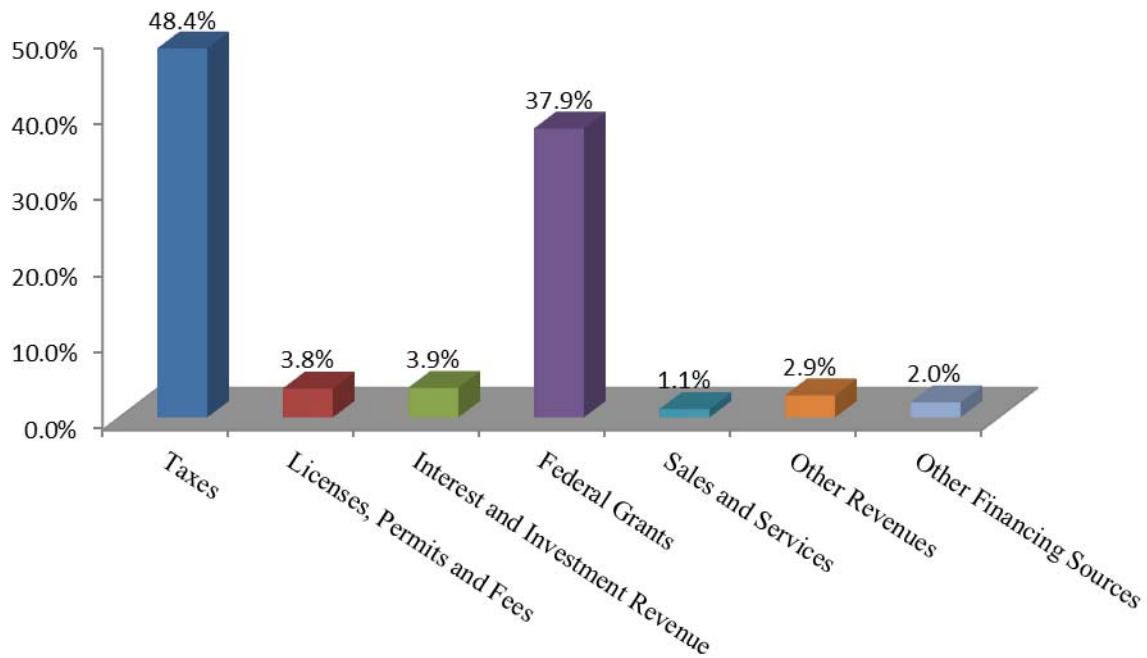
Governmental Funds: Revenues and Other Financing Sources – GAAP Basis  
(expressed in millions)

	2014 Amount	Percentage of Total	Increase (Decrease) from Prior Year	Percentage Increase (Decrease)
Taxes	\$ 8,646	48.4%	\$ 276	3.3%
Licenses, permits and fees	672	3.8%	45	7.2%
Interest and investment revenue	693	3.9%	184	36.1%
Federal grants	6,746	37.9%	99	1.5%
Sales and services	200	1.1%	25	14.3%
Other revenues	508	2.9%	(357)	(41.3%)
Other financing sources:				
Transfers	81	0.5%	13	19.1%
Bond and note proceeds	236	1.3%	146	162.2%
Other	37	0.2%	12	48.0%
Total revenues and other financing sources	<u>\$ 17,819</u>	<u>100.0%</u>	<u>\$ 443</u>	2.5%

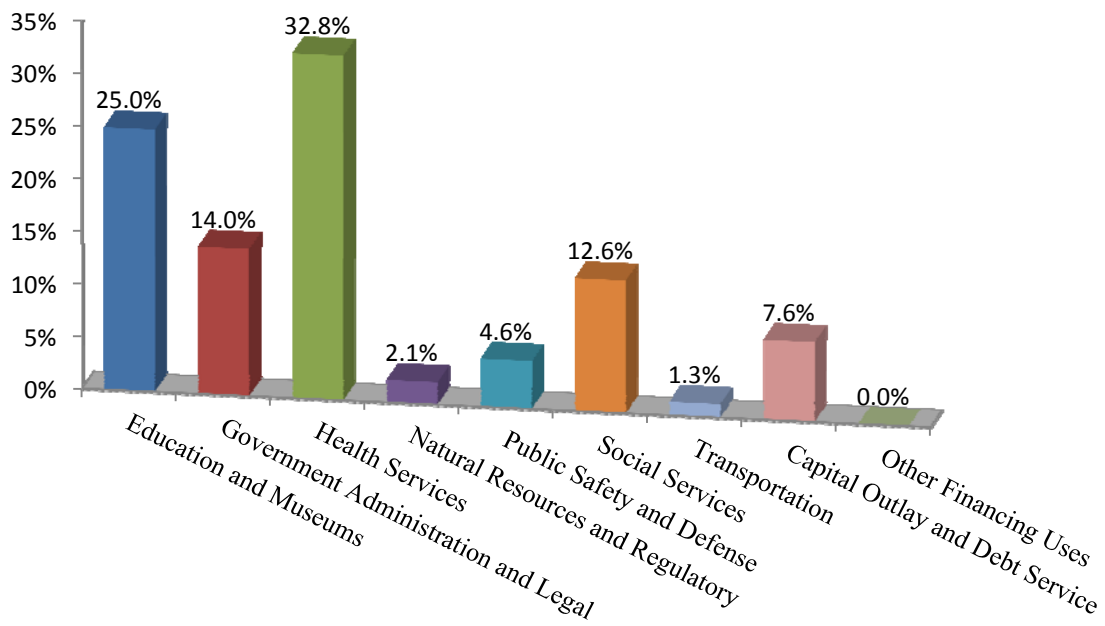
Governmental Funds: Expenditures and Other Financing Uses – GAAP Basis  
(expressed in millions)

	2014 Amount	Percentage of Total	Increase (Decrease) from Prior Year	Percentage Increase (Decrease)
Education	\$ 4,359	24.9%	\$ (48)	(1.1%)
Government Administration	2,204	12.6%	346	18.6%
Health services	5,746	32.8%	299	5.5%
Legal and judiciary	250	1.4%	11	4.6%
Museums	15	0.1%	0	0.0%
Natural resources	247	1.4%	(91)	(26.9%)
Public safety and defense	798	4.6%	30	3.9%
Regulatory services	128	0.7%	6	4.9%
Social services	2,215	12.6%	18	0.8%
Transportation	226	1.3%	14	6.6%
Capital outlay	895	5.1%	(209)	(18.9%)
Debt service	433	2.5%	100	30.0%
Other Financing Uses:				
Transfers	0	0.0%	0	0.0%
Total expenditures and other financing uses	<u>\$ 17,516</u>	<u>100.0%</u>	<u>\$ 476</u>	2.8%
Governmental Funds - Net increase in fund balance	<u>\$ 303</u>			

**Governmental Fund Revenues and Other  
Financing Sources (GAAP Basis) – Fiscal Year 2014**



**Governmental Funds Expenditures and Other  
Financing Uses (GAAP Basis) – Fiscal Year 2014**



## Revenue Collections and Estimates

As noted in a preceding subsection, the budget is prepared using cash available plus 95 percent of the itemized revenue estimate as approved by the state Board of Equalization. It should be noted that taxes deposited into the budgetary General Revenue Fund, as defined by Oklahoma law, are approximately 75 percent of the total tax revenues of the governmental funds, as defined by GAAP. However, the budgetary General Revenue Fund should not be confused with the General Fund as presented in the accompanying GAAP-basis financial statements, as the two terms are not interchangeable. For example, the GAAP-basis General Fund includes revenues deposited to the state Transportation Fund, federal grant proceeds, revolving fund revenues, fees and charges as well as other money used in the general operations of government which are not considered in the Board of Equalization's estimates of tax revenues.

Receipts from three of the four major taxes were more than revenues of the prior year. The taxes combined for \$4.8 billion, or 100.7 percent of total GRF receipts for the prior year. The total of major taxes collected increased \$32 million or 0.7 percent from that of last year. As compared to fiscal year 2013, collections from income taxes decreased by \$174 million, or 6.9 percent; sales taxes increased by \$59 million, or 3.1 percent; motor vehicle taxes increased \$35 million, or 18.4 percent; and gross production taxes on gas and oil increased by \$112 million, or 50 percent.

Oklahoma has established an enviable record in recent years for its revenue forecasting results. Since enactment of a constitutional amendment in 1985 establishing new revenue estimating procedures, collections have exceeded the estimate in 17 years and dipped below the estimate 12 years. The comparison of estimated revenues to actual collections for fiscal year 2014 is as follows:

Revenue Collections Compared to Itemized Estimate for Fiscal 2014  
(expressed in millions)

	Itemized Estimate	Actual Collections	Over (Under) Estimate	Percentage Collected
Individual and Corporate				
Income tax	\$ 2,585.3	\$ 2,334.5	\$ (250.8)	90.3%
Sales tax	2,030.8	1,959.4	(71.4)	96.5%
Motor vehicle tax	214.9	228.0	13.1	106.1%
Gross production tax	271.5	333.2	61.7	122.7%
Subtotal Major Taxes	5,102.5	4,855.1	(247.4)	95.2%
Other sources	786.8	772.3	(14.5)	98.2%
Total	\$ 5,889.3	\$ 5,627.4	\$ (261.9)	95.6%

The fifteen-year comparative history of estimated to actual collections is shown in the following table.

Fiscal Year	Itemized Estimate	Actual Collections	Over (Under) Estimate	Percentage Collected
2000	\$ 4,271	\$ 4,354	\$ 83	101.9%
2001	4,456	4,693	237	105.3%
2002	4,829	4,413	(416)	91.4%
2003	4,725	4,186	(539)	88.6%
2004	4,396	4,613	217	104.9%
2005	4,545	4,957	412	109.1%
2006	5,149	5,715	566	111.0%
2007	5,708	5,966	258	104.5%
2008	5,845	5,981	136	102.3%
2009	5,981	5,544	(437)	92.7%
2010	5,415	4,622	(793)	85.4%
2011	4,889	5,138	249	105.1%
2012	5,236	5,564	328	106.3%
2013	5,601	5,604	3	100.1%
2014	5,889	5,627	(262)	95.6%
Fifteen-Year Average	\$ 5,129	\$ 5,132	\$ 3	100.1%

The status of three important fund balances affecting the new year's fiscal picture is explained as follows:

**Cash-Flow Committed Fund** – Each year, 10 percent of the General Revenue Fund's certified appropriation level is set aside to meet anticipated monthly cash flow needs for the new fiscal year. At the close of fiscal year 2014, the amount the state set aside was \$522.8 million.

**General Revenue Fund** – In fiscal year 2014, there were amendments to the budget that added \$150 million. \$43.4 million was added to the budget for prior year carry-over compared to a \$54.9 million carry-over in fiscal year 2013. Carry-over funds reflect the difference between the 95 percent appropriation limit and actual receipts up to 100 percent of the estimate. Funds required to replenish or increase the cash-flow committed fund also come from this source. An additional \$25.5 million was added to fund a portion of the ad valorem reimbursement to schools. For the maintenance of the Medicaid program, the Oklahoma Health Care Authority was provided an additional \$47.7 million. The Office of Management and Enterprise services was awarded an additional \$15.0 million through the Long Range Capital Planning Commission to address capital needs across state agencies. Due to costs associated with increasing prison population, the Oklahoma Department of Corrections received \$13.0 million in additional funds. Another \$2.3 million of supplementary funding was added to provide funding for the Department of Agriculture.

**Constitutional "Rainy Day" Fund** - At the start of each fiscal year, collections that exceed the estimate for the preceding year are automatically deposited in the Rainy Day Fund until the total balance equals 15 percent of the prior year's certified collections for the General Revenue Fund. As a result of different triggers for making the funds available for use, any amounts deposited to the fund are split between unassigned and restricted fund balance. For the fiscal year beginning July 1, 2014, the restricted portion had a balance of \$401.4 million and the unassigned portion had a balance of \$133.8 million, giving the total Constitutional Fund a balance of \$535.2 million.



## FOR THE FUTURE

State government continues to focus on critical issues to ensure that the state capitalizes on its potential for growth. Sustained efforts in creating a business friendly environment are essential for creating a bright, strong future. In addition, the state will continue to improve the efficiency of government through consolidations of information technology and financial services.

Oklahoma's executive management will continue to lead in promoting improvement in these key areas to improve the lives of Oklahomans. With the governor's leadership, Oklahoma will continue to make investments in a high quality educational system where all students can succeed, encourage the improved health of Oklahoma's citizens and encourage investors to allow their money to work and grow in Oklahoma, creating more jobs and higher incomes.

## CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Oklahoma for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of a state and local government financial report.

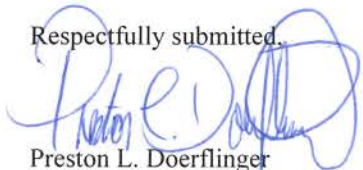
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. Since 1996, the State of Oklahoma has received the Certificate of Achievement. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

## ACKNOWLEDGMENTS

The Office of Management and Enterprise Services is pleased to recognize and commend the efforts of the numerous individuals across the state who made this Comprehensive Annual Financial Report possible. Questions or requests for additional information related to this report can be directed to our office at 405-521-2141.

Respectfully submitted,



Preston L. Doerflinger  
Director of State Finance and Revenue



Lynne Bajema  
State Comptroller



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**State of Oklahoma**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

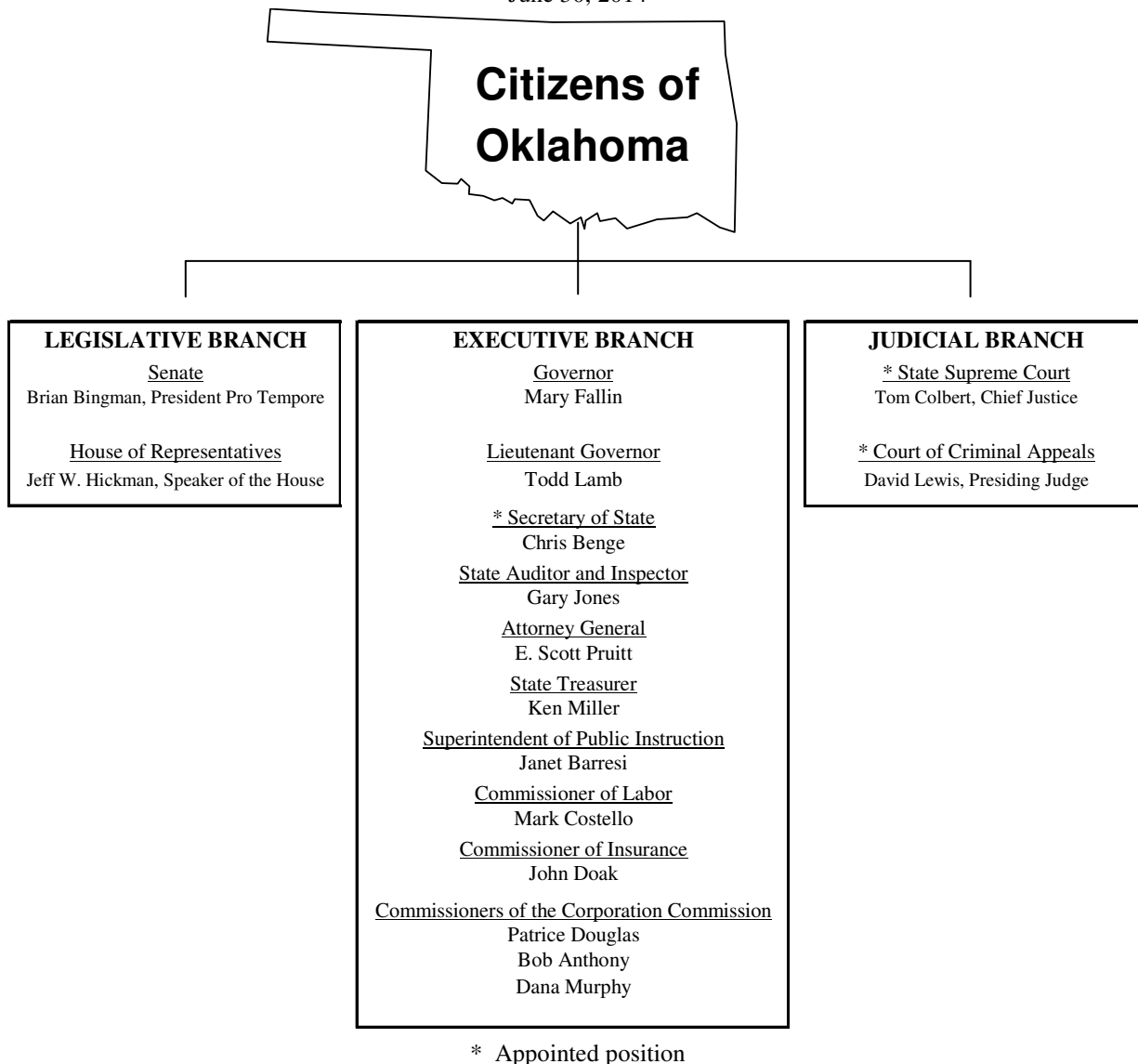
**June 30, 2013**



Executive Director/CEO

# Selected Oklahoma State Officials

June 30, 2014



## CABINET DEPARTMENT SECRETARIES

Agriculture	Finance, Administration, &	Science & Technology
Commerce	Information Technology	Secretary of State
Education & Workforce	Health & Human Services	Tourism
Development	Military	Transportation
Energy & Environment	Safety & Security	Veterans Affairs

The Cabinet Secretaries are appointed by the Governor with the approval of the Senate. Many of the secretaries are also heads of the Executive Branch agencies. State agencies are assigned to a cabinet department by the Governor. The specific agency assignments to each cabinet are shown on the next page. Agency numbers are listed to the left of the agency name.

## State Agencies by Cabinet

305	Office of the Governor		140	Podiatric Medical Examiners, Bd. Of	
440	Office of the Lieutenant Governor		575	Psychologists, Bd. of Examiners	
		185		805	Rehabilitative Services
		359	<b><u>Energy and Environment</u></b>	632	Speech-Lang. Pathology & Aud. Bd.
	<b><u>Agriculture</u></b>	292	Corporation Commission *	092	Tobacco Settle. End. Trust Bd. of Dir.
40	Agriculture, Department of	920	Energy Resources Board	753	Uniform Building Code Commission
39	Boll Weevil Eradication Org.	980	Dept. of Environmental Quality	825	University Hospitals Authority
645	Conservation Commission	307	Environmental Finance Authority		
615	Foresters, Board of Registered	445	Grand River Dam Authority		
535	Peanut Commission	444	Interstate Oil Comp. Com.		
875	Wheat Commission	446	LPG Board		<b><u>Military</u></b>
790	Veterinary Medical Examiners Board	125	LPG Research, Marketing and Safety	25	Military Department
353	Horse Racing Commission	981	Marg. Prod. O&G Wells, Comm. on		
		835	Mines, Department of		<b><u>Safety and Security</u></b>
	<b><u>Commerce</u></b>	320	Municipal Power Authority	30	ABLE Commission
160	Commerce, Department of		Water Resources Board	49	Attorney General *
290	Employment Security Commission		Wildlife Conservation, Dept. of	477	Narcotics & Dang. Drugs, Bureau of
922	Housing Finance Authority	22		309	Civil Emergency Mgmt, Dept. of
370	Industrial Finance Authority	20	<b><u>Finance, Admin., and Info Tech.</u></b>	131	Corrections Department
405	Labor, Department of *	45	Abstractor's Board	220	District Attorney's Council
		300	Accountancy Board	47	Indigent Defense System
	<b><u>Education and Workforce Dev.</u></b>	65	Architects, Board of Gov. of Licensed	308	Investigation, Bureau of
44	Anatomical Board	582	Auditor & Inspector *	415	Law Enf. Educ. & Trng., Council on
800	Career & Technology Education	91	Banking Department	342	Medicolegal Investigations, Bd. of
266	Educational TV Authority	981	Bond Advisor	306	Pardon and Parole Board
265	Education, Department of *	117	Building Bonds Commission	585	Public Safety, Department of
361	Native American Cultural/Ed. Auth	635	Capital Investment Board	310	Fire Marshal, State
619	Physicians Manpower Trng. Comm.	900	Commercial Pet Breeders Board		
563	Private Vocational School, Board of	315	Consumer Credit, Comm. For		<b><u>Science and Technology</u></b>
605	Regents for Higher Education	355	Development Finance Authority	628	Center f/t Adv. of Sci. & Technology
629	School of Science & Mathematics	385	Firefighters Pension & Retirement	346	Space Industry Development Auth.
618	Student Loan Authority	410	Human Rights Commission		
269	Teacher Preparation, Comm. for	416	Insurance Department *		<b><u>Secretary of State</u></b>
		435	Land Office, Commissioners of the	390	CompSource Oklahoma
	<b><u>Colleges and Universities:</u></b>	90	Law Enforcement Retirement	270	Election Board
100	Cameron University	298	Lottery Commission	296	Ethics Commission
108	Carl Albert State College	475	Office of Mgmt & Enterprise Services	678	Judicial Complaints, Council on
165	Connors State College	557	Merit Protection Commission	430	Library Department
230	East Central University	570	Motor Vehicle Commission	625	Secretary of State
240	Eastern Oklahoma State College	515	Police Pension & Retirement System		
420	Langston University	588	Prof. Engin. & Land Surveyors Bd.		<b><u>Tourism</u></b>
470	Murray State College	630	Public Employees' Retirement System	55	Arts Council
480	Northeastern Okla. A & M College	622	Real Estate Commission	350	Historical Society
485	Northeastern State University	695	Securities Commission	204	J.M. Davis Memorial Commission
490	Northern Oklahoma College	715	Social Workers Board, Bd. of Lic.	620	Qtz Mtn. Arts/Conf. Cntr/Nat. Pk.
505	Northwestern Oklahoma State Univ.	740	Tax Commission	568	Scenic Rivers Comm.
530	Oklahoma Panhandle State Univ.	755	Teachers' Retirement System	566	Tourism & Recreation, Dept. of
10	Oklahoma State University		Treasurer *	880	Will Rogers Memorial Commission
761	Oklahoma University Law Center		Used Motor Vehicle & Parts		
633	Oklahoma City Community College	448			<b><u>Transportation</u></b>
770	Okla. University Health Science Ctr.	772	<b><u>Health and Human Services</u></b>	978	Okla. Turnpike Authority
773	OSU -College of Osteopathic Medicine	127	Alcohol and Drug Coun., Bd. of Lic.	345	Transportation, Department of
14	OSU -College of Veterinary Medicine	145	Chem. Tests for Alc/Drug Infl., Bd. of	060	Aeronautics Commission
11	OSU -Experiment Station	783	Children & Youth, Commission		
12	OSU -Extension Division	170	Chiropractic Examiners Board		<b><u>Veterans Affairs</u></b>
13	OSU -School of Tech. Training	190	Community Hospitals Authority	650	Veterans Affairs, Department of
15	OSU -Technical Institute of OKC	215	Construction Industries Bd.		
16	OSU -Tulsa	285	Cosmetology Board		
771	OU Health Sci. Ctr. Prof. Prac. Plan	326	Dentistry, Board of		
241	Redlands Community College	807	Funeral Board		
610	Regional University System of Ok	340	Handicapped Concerns, Office of		
461	Rogers State University	830	Health Care Authority		
531	Rose State College	360	Health, Department of		* Agency is headed by a statewide elected official or their controlling board is made up of elected officials. They are assigned to a cabinet department for purposes of coordinating services and programs only.
606	University Center Of Southern Ok	670	Human Services, Department of		
623	Seminole State College	400	Indian Affairs Commission		
660	Southeastern Oklahoma State Univ.	450	J.D. McCarty Center		
665	Southwestern Oklahoma State Univ.	452	Juvenile Affairs, Office of		
750	Tulsa Community College	510	Medical Licensure & Supv., Bd. of		
758	University Center at Ponca City	509	Mental Health and Sub. Abuse Svc.		
120	University of Central Oklahoma	520	Nursing Board		
760	University of Oklahoma	525	Nursing Homes, Board of Exam. for		
150	Univ. of Science and Arts of Okla.	343	Optometry Board		
41	Western Oklahoma State College	560	Osteopathic Examiners Board		
			Perfusionists, State Bd. of Examiners		
			Pharmacy Board		

\* Agency is headed by a statewide elected official or their controlling board is made up of elected officials. They are assigned to a cabinet department for purposes of coordinating services and programs only.

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Will Rogers Birthplace  
Established 1870

The last of eight children born in the family of Mary and Clem Rogers, William Penn Adair Rogers was born November 4, 1879 in the southeast bedroom of this log-walled house located in Indian Territory's Cherokee Nation. Part-Indian Will Rogers was a humorist-philosopher, star of the Ziegfeld Follies and 71 motion pictures, syndicated newspaper columnist, author of seven books and America's original radio commentator.

His credo:

*"I never met a man I didn't like."*

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**Financial Section**







# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

## INDEPENDENT AUDITOR'S REPORT

### TO THE GOVERNOR AND MEMBERS OF THE LEGISLATURE OF THE STATE OF OKLAHOMA

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Oklahoma as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit:

- the financial statements of the Water Resources Board which represent forty-four percent of the assets, twenty-six percent of the net position and three percent of the revenues of the enterprise funds;
- the financial statements of the Oklahoma Municipal Power Authority, University of Oklahoma, University of Oklahoma – Health Sciences Center, Oklahoma State University – Foundation, Grand River Dam Authority, Oklahoma State University, Oklahoma Turnpike Authority, University of Oklahoma – Foundation, Oklahoma Housing Finance Authority, CompSource, and the Regents for Higher Education, which in the aggregate represent eighty percent of the assets, eighty-two percent of the net position and seventy-one percent of the revenues for the aggregate discretely presented component units;
- the financial statements of the Commissioners of the Land Office permanent fund, and the Tobacco Settlement Endowment permanent fund, which in the aggregate represent ninety-eight percent of the assets, ninety-eight percent of the fund balance and ninety-nine percent of the revenues of the permanent funds; and
- the financial statements of the Oklahoma Public Employees Retirement System and the Oklahoma Teachers Retirement System, which in the aggregate represent eighty-two percent of the assets, eighty-one percent of the net position and eighty-three percent of the additions of the aggregate remaining fund information.

Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the above-mentioned entities, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the



effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Oklahoma, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matters***

As discussed in Note 1, the Multiple Injury Trust Fund (MITF) had a net deficit or negative net position of approximately \$365,235,000 at December 31, 2013 primarily due to court awards exceeding the apportionment of special tax revenue collected.

As discussed in Note 1, the State of Oklahoma has adopted the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*, effective July 1, 2013.

Our opinion is not modified with respect to these matters.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedule-Budget to Actual (Non-GAAP Budgetary Basis) General Fund, and the Notes to Required Supplementary Information-Budgetary Reporting, as listed in the table of contents, and the Schedules of Funding Progress for the Wildlife Conservation Plan, Oklahoma Law Enforcement Retirement System, and the Uniform Retirement System for Judges and Justices presented in Note 14 to the basic financial statements be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Oklahoma's basic financial statements. The introductory section, combining financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in

accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2014, on our consideration of the State of Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Oklahoma's internal control over financial reporting and compliance.

A handwritten signature in blue ink, appearing to read "Gary A. Jones", with a stylized flourish at the end.

GARY A. JONES, CPA, CFE  
OKLAHOMA STATE AUDITOR & INSPECTOR

December 31, 2014

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## **Management Discussion & Analysis**

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## **Management Discussion & Analysis**



## MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the State of Oklahoma provides this *Management's Discussion and Analysis* of the State of Oklahoma's Comprehensive Annual Financial Report (CAFR) for readers of the state's financial statements. This narrative overview and analysis of the financial activities of the State of Oklahoma is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the additional information that is furnished in the Letter of Transmittal, which can be found preceding this narrative, and with the state's financial statements which follow.

### FINANCIAL HIGHLIGHTS - PRIMARY GOVERNMENT

#### Government-Wide Highlights:

*Net Position* - The assets plus deferred outflows of resources of the state exceeded its liabilities and deferred inflows of resources at fiscal year ending June 30, 2014 by \$18.4 billion (presented as "net position"). Of this amount, \$2.2 billion was reported as "unrestricted net position". Unrestricted net position represents the amount available to be used to meet the state's ongoing obligations to citizens and creditors.

*Changes in Net Position* - The state's total net position increased by \$1.0 billion (a 5.8% increase) in fiscal year 2014 after a 5.8% increase during the previous fiscal year. Net position of governmental activities increased by \$760 million (a 4.9% increase), while net position of the business-type activities showed an increase of \$247 million (a 12.6% increase).

#### Fund Highlights:

*Governmental Funds - Fund Balances* - As of the close of fiscal year 2014, the state's governmental funds reported a combined ending fund balance of \$7.1 billion, an increase of \$303 million in comparison with the prior year. Of this total amount, \$3.3 billion represents nonspendable fund balance, with \$74 million being in the General Fund. Amounts that can be spent include \$1.3 billion of restricted fund balance, \$2.2 billion of committed fund balance, \$72 million of assigned fund balance, and \$134 million of unassigned fund balance. The portion of fund balance which is available is roughly 21% of the total governmental expenditures for the year.

#### Long-term Debt:

The state's total long-term debt obligations showed a net decrease of \$120.4 million (5.8%) in the governmental type activities and a net decrease of \$134.6 million (14.2%) in the business type activities during the current fiscal year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the State of Oklahoma's Basic Financial Statements. The state's Basic Financial Statements include three components: 1) Government-Wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Financial Statements. This report also contains additional Required Supplementary Information (budgetary schedules) and Other Supplementary Information (Combining Financial Statements) in addition to the Basic Financial Statements themselves. These components are described below:

## Basic Financial Statements

The Basic Financial Statements include two kinds of financial statements that present different views of the state – the *Government-Wide Financial Statements* and the *Fund Financial Statements and Combining Major Component Unit Financial Statements*. These financial statements also include the *Notes to the Financial Statements* that explain some of the information in the financial statements and provide more detail.

### *Government-Wide Financial Statements*

The *Government-Wide Financial Statements* provide a broad view of the state's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the state's financial position, which assists in assessing the state's economic condition at the end of the fiscal year. These are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. This means they follow methods that are similar to those used by most businesses. They take into account all revenues and expenses connected with the fiscal year even if cash involved has not been received or paid. The Government-Wide Financial Statements include two statements:

The *Statement of Net Position* presents all of the government's assets and liabilities in addition to deferred inflows and outflows, with the difference between the four reported as "net position". Over time, increases or decreases in the state's net position may serve as a useful indicator of whether the financial position of the state is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as uncollected taxes and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the state.

Both of the above financial statements have separate sections for three different types of state programs or activities. These three types of activities are:

*Governmental Activities* – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal grants). Most services normally associated with state government fall into this category, including education (support for both common public schools and higher education), government administration, health services, legal and judiciary services, museums, natural resources, public safety and defense, regulatory services, social services, and transportation.

*Business-Type Activities* – These functions normally are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. These business-type activities of the state include the operations of the Oklahoma Unemployment Insurance Trust Fund (by the Oklahoma Employment Security Commission), the state's program for making loans to local government units for the acquisition, development, and utilization of storage and control facilities for water and sewage systems (by the Oklahoma Water Resources Board), administering the insurance benefits for state employees and education workers (by the Employees Group Insurance Division of the Office of Management and Enterprise Services), and the Oklahoma Lottery Commission. These four programs operate with minimal assistance from the governmental activities of the state.

*Discretely Presented Component Units* – These are operations that have certain independent qualities but for which the state has financial accountability. For the most part, these entities operate similar to private-sector businesses and the business-type activities described above. The state's discretely presented component units are presented in two categories, major and nonmajor. This separation is determined by the relative size of the entities' assets, liabilities, revenues and expenses in relation to the total of all component units.

The state's seven discretely presented major component units are:

CompSource Oklahoma  
Oklahoma Student Loan Authority

Oklahoma Housing Finance Agency  
Oklahoma Turnpike Authority  
Grand River Dam Authority  
Oklahoma Municipal Power Authority  
Higher Education Component Unit

The state's eight other (or nonmajor) component units are combined into a single column for reporting in the Fund Financial Statements. These nonmajor component units are:

Oklahoma Educational Television Authority  
Oklahoma Industrial Finance Authority  
Health Insurance High Risk Pool  
Multiple Injury Trust Fund  
University Hospitals Authority  
Oklahoma Development Finance Authority  
Oklahoma Capital Investment Board  
Oklahoma State University Medical Authority

Complete financial statements of the individual component units can be obtained from their respective administrative offices. Addresses and other additional information about the state's component units are presented in the Notes to the Financial Statements.

The Government-Wide Financial Statements can be found immediately following this discussion and analysis.

### ***Fund Financial Statements and Major Component Unit Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The state, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Fund Financial Statements focus on individual parts of the state government, reporting the state's operations in more detail than the Government-Wide Financial Statements. All of the funds of the state can be divided into three categories. It is important to note that these fund categories use different accounting approaches and should be interpreted differently. The three categories of funds are:

*Governmental Funds Financial Statements* – Most of the basic services provided by the state are financed through governmental funds. Governmental funds are essentially used to account for the same functions as governmental activities in the Government-Wide Financial Statements. However, unlike the Government-Wide Financial Statements, the Governmental Fund Financial Statements focus on near-term inflows and outflows of spendable resources. They also focus on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements. This is known as using the flow of current financial resources measurement focus approach and the modified accrual basis of accounting. These statements provide a detailed short-term view of the state's finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the state.

Because the focus of governmental funds is narrower than that of the Government-Wide Financial Statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-Wide Financial Statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities. These reconciliations are presented on the page immediately following each Governmental Fund Financial Statement.

The state has four governmental funds. All four governmental funds are considered major funds for financial reporting purposes. These four major funds are – the General Fund, the Commissioners of the Land Office Permanent Fund, the Department of Wildlife Conservation Permanent Fund, and the Tobacco Settlement Endowment Permanent Fund. Each major fund is presented in a separate column in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances.

The basic Governmental Funds Financial Statements can be found immediately following the Government-Wide Financial Statements.

*Proprietary Funds Financial Statements* – These funds are used to show activities that operate more like those of commercial enterprises. Because these funds charge fees for services provided to outside customers including local governments, they are known as enterprise funds. Proprietary funds provide the same type of information as the Government-Wide Financial Statements, only in more detail. Like the Government-Wide Financial Statements, Proprietary Fund Financial Statements use the accrual basis of accounting. There is no reconciliation needed between the Government-Wide Financial Statements for business-type activities and the Proprietary Fund Financial Statements.

The state has four enterprise funds, with all four being considered major proprietary funds for presentation purposes. As previously mentioned, they are the operations of the Oklahoma Unemployment Insurance Trust Fund (by the Oklahoma Employment Security Commission), the state's program for making loans to local government units for the acquisition, development, and utilization of storage and control facilities for water and sewage systems (by the Oklahoma Water Resources Board), the administration of insurance benefits for state employees by the Employees Group Insurance Division (EGID) of the Office of Management and Enterprise Services, and the Oklahoma Lottery Commission.

The basic Proprietary Funds Financial Statements can be found immediately following the Governmental Fund Financial Statements.

*Fiduciary Funds and Similar Component Units Financial Statements* – These funds are used to account for resources held for the benefit of parties outside the state government. Fiduciary funds are not reflected in the Government-Wide Financial Statements because the resources of these funds are not available to support the state's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. They use the accrual basis of accounting.

The state's fiduciary funds are the Pension Trust Funds (seven separate retirement plans for employees), and the Agency Funds (which account for the assets held for distribution by the state as an agent for other governmental units, other organizations or individuals). Individual fund detail can be found in the Combining Financial Statements described below.

The basic Fiduciary Funds and Similar Component Units' Financial Statements can be found immediately following the Proprietary Fund Financial Statements.

*Component Units Financial Statements* – As mentioned above, these are operations for which the state has financial accountability but they have certain independent qualities as well, and they operate similar to private-sector businesses. The Government-Wide Financial Statements present information for the component units in a single column of the Statement of Net Position. Also, some information on the Statement of Activities is aggregated for component units. The Combining Statement of Net Position and Combining Statement of Activities provide detail for each major component unit and the nonmajor component units in aggregate. Individual nonmajor component unit detail can be found in the Combining Financial Statements described below.

The basic Combining Financial Statements for major component units can be found immediately following the Fiduciary Fund and Similar Component Unit's Financial Statements.

### ***Notes to the Financial Statements***

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The Notes to the Financial Statements can be found immediately following Component Units Financial Statements.

### **Required Supplementary Information and Budget Schedule**

The Basic Financial Statements are followed by a section of Required Supplementary Information. This section includes the Budgetary Comparison Schedule – Budget to Actual (Non-GAAP Budgetary Basis), which includes a schedule of

reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the General Fund as presented in the Governmental Fund Financial Statements.

### ***Combining Financial Statements***

The Combining Financial Statements referred to earlier in connection with fiduciary funds and nonmajor component units are presented following the Required Supplementary Information. The total of the columns of these Combining Financial Statements carry to the applicable fund financial statement.

### ***Budgetary Detail***

The Schedule of Expenditures and Intra-Agency Transfers – Detail Budget to Actual Comparison is presented in this section. It provides detail comparisons of expenditures and intra-agency transfers at the legal level of control. Comparisons can be made between the original budget, final budget, and actual.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

### **Net Position**

As noted earlier, net position may serve over time as a useful indicator of a government's financial condition. The state's combined net position (government and business-type activities) totaled \$18.4 billion at the end of 2014, compared to \$17.4 billion at the end of the previous year.

The largest portion of the state's net position (54.2%) reflects its investment in capital assets such as land, buildings, equipment, and infrastructure (road, bridges, and other immovable assets), less any related outstanding debt used to acquire those assets. The state uses these capital assets to provide services to citizens; consequentially, these assets are not available for future spending. Although the state's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

<b>State of Oklahoma's Net Position-Primary Government</b>						
(expressed in thousands)						
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current Assets	\$ 4,606,848	\$ 4,855,850	\$ 1,967,083	\$ 1,803,715	\$ 6,573,931	\$ 6,659,565
Capital Assets	11,009,624	10,742,611	1,415	1,037	11,011,039	10,743,648
Other Assets	3,946,999	3,579,352	1,211,815	1,253,713	5,158,814	4,833,065
Total Assets	19,563,471	19,177,813	3,180,313	3,058,465	22,743,784	22,236,278
Deferred Outflows	3,822	4,683	-	-	3,822	4,683
Noncurrent Liabilities	1,705,114	1,872,237	766,109	813,477	2,471,223	2,685,714
Other Liabilities	1,537,415	1,730,611	196,649	267,691	1,734,064	1,998,302
Total Liabilities	3,242,529	3,602,848	962,758	1,081,168	4,205,287	4,684,016
Deferred Inflows	93,925	108,364	6,349	13,442	100,274	121,806
Invested in Capital Assets, Net of Related Debt	9,992,791	9,632,939	1,415	1,037	9,994,206	9,633,976
Restricted	4,698,509	4,224,862	1,573,491	1,353,998	6,272,000	5,578,860
Unrestricted	1,539,539	1,613,483	636,300	608,820	2,175,839	2,222,303
Total Net Position	\$ 16,230,839	\$ 15,471,284	\$ 2,211,206	\$ 1,963,855	\$ 18,442,045	\$ 17,435,139

A portion of the state's net position (34%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the state's ongoing obligations to citizens and creditors. Internally imposed designations of resources are not presented as restricted net position.

At the end of the current fiscal year, the state is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

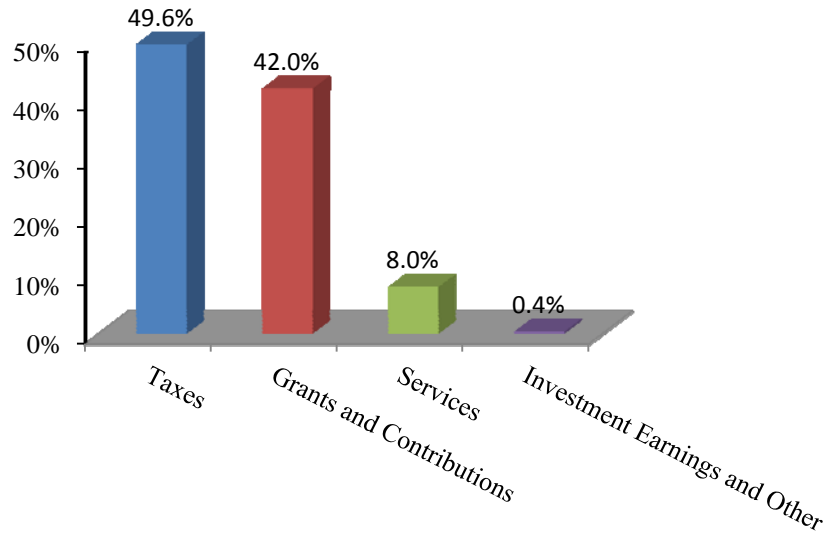
## Changes in Net Position

The state's governmental net position increased by \$1.0 billion, or 5.8%. Approximately 49% of the state's total revenue came from taxes, while 42% resulted from grants and contributions (including federal aid). Charges for various goods and services provided 8% of the total revenues. The state's expenses cover a range of services. The largest expenses were for health services, general education, and social services. In 2014, governmental activity expenses exceeded program revenues, resulting in the use of \$8.1 billion in general revenues (mostly taxes). The business-type activities' program revenues exceeded their expenses for 2014 by \$328 million.

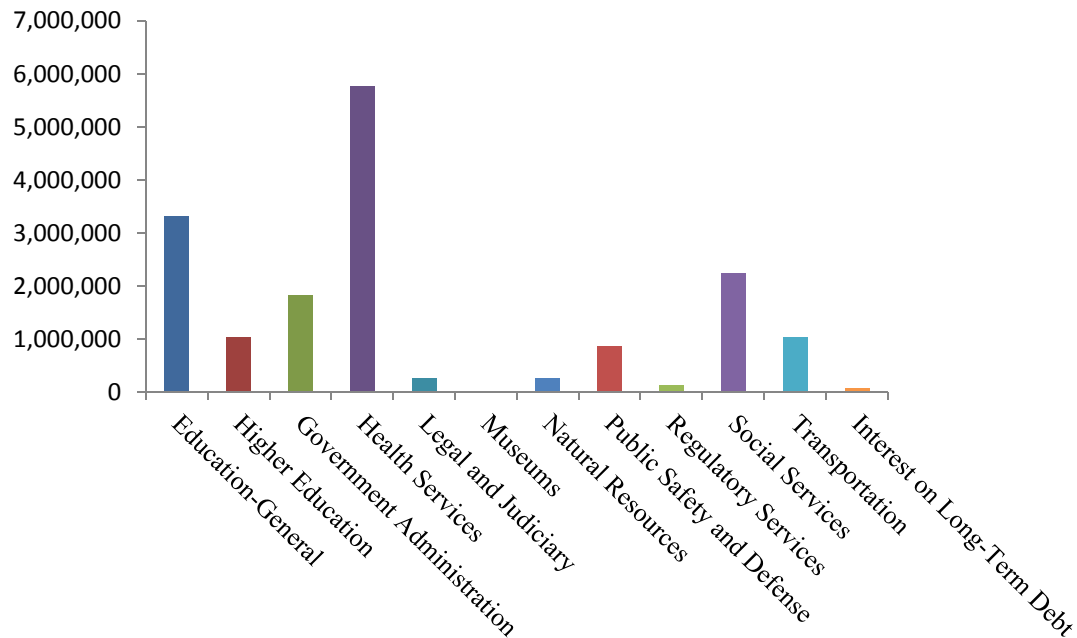
### State of Oklahoma's Changes Net Position-Primary Government (expressed in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 1,436,100	\$ 1,666,850	\$ 1,664,222	\$ 1,651,258	\$ 3,100,322	\$ 3,318,108
Operating Grants and Contributions	7,326,805	6,939,234	37,901	138,918	7,364,706	7,078,152
General Revenues:						
Income Taxes-Individual	2,855,601	2,855,509	-	-	2,855,601	2,855,509
Income Taxes-Corporate	408,665	595,250	-	-	408,665	595,250
Sales Taxes	2,598,873	2,523,098	-	-	2,598,873	2,523,098
Gross Production Taxes	657,476	513,350	-	-	657,476	513,350
Motor Vehicle Taxes	778,694	686,540	-	-	778,694	686,540
Fuel Taxes	419,084	408,507	-	-	419,084	408,507
Other Taxes	927,755	788,235	-	-	927,755	788,235
Investment Earnings	59,298	68,601	-	-	59,298	68,601
Capital Lease and COPs	-	615	-	-	-	615
Total Revenues	17,468,351	17,045,789	1,702,123	1,790,176	19,170,474	18,835,965
<b>Expenses:</b>						
Education-General	3,322,341	2,405,694	-	-	3,322,341	2,405,694
Education-Payments to Higher Education	1,037,785	2,003,101	-	-	1,037,785	2,003,101
Government Administration	1,830,570	1,890,458	-	-	1,830,570	1,890,458
Health Services	5,766,102	5,462,257	-	-	5,766,102	5,462,257
Legal and Judiciary	261,344	245,372	-	-	261,344	245,372
Museums	17,691	15,916	-	-	17,691	15,916
Natural Resources	264,233	353,243	-	-	264,233	353,243
Public Safety and Defense	863,080	820,506	-	-	863,080	820,506
Regulatory Services	131,756	129,206	-	-	131,756	129,206
Social Services	2,240,638	2,222,255	-	-	2,240,638	2,222,255
Transportation	1,043,522	941,132	-	-	1,043,522	941,132
Interest on Long-Term Debt	71,270	112,030	-	-	71,270	112,030
Unemployment Insurance Trust Fund	-	-	289,959	386,399	289,959	386,399
State Loan Program to Local Governments	-	-	35,286	39,398	35,286	39,398
Group Insurance Program	-	-	925,327	843,065	925,327	843,065
Lottery Commission	-	-	123,180	128,642	123,180	128,642
Total Expenses	16,850,332	16,601,170	1,373,752	1,397,504	18,224,084	17,998,674
Increase (Decrease) in Net Position Before Transfers and Contribution to Permanent Funds	618,019	444,619	328,371	392,672	946,390	837,291
Contribution to Permanent Funds	60,516	87,515	-	-	60,516	87,515
Transfers	81,020	77,745	(81,020)	(77,745)	-	-
Change in Net Position	759,555	609,879	247,351	314,927	1,006,906	924,806
Net Position, Beginning of Year	15,471,284	14,861,405	1,963,855	1,643,105	17,435,139	16,504,510
Adjustments to Beginning Net Position	-	-	-	5,823	-	5,823
Net Position, End of Year	\$ 16,230,839	\$ 15,471,284	\$ 2,211,206	\$ 1,963,855	\$ 18,442,045	\$ 17,435,139

**Revenues – Governmental Activities  
Fiscal Year 2014**



**Expenses – Governmental Activities  
Fiscal Year 2014**  
*(expressed in thousands)*



**Governmental Activities**

Governmental activities increased the state's net position by \$760 million. Tax revenues were up in four of the five major types. Total revenues for governmental activities were up by \$423 million, or 2.5%, in 2014. The state showed a \$144 million increase in gross production taxes, a \$92 million increase in motor vehicle taxes, and a \$187 million decrease in corporate income taxes during 2014. Revenue derived from services decreased by \$231 million.

A comparison of the cost of services by function for the state's governmental activities is shown below, along with the revenues used to cover the net expenses of the governmental activities (expressed in thousands):

Governmental Activities

**Expenses Net of Program Revenues:**

Education-General	(2,208,221)
Education-Payment to Higher Education	(1,037,785)
Government Administration	(1,442,780)
Health Services	(1,659,619)
Legal and Judiciary	(133,988)
Museums	(13,795)
Natural Resources	(52,499)
Public Safety and Defense	(667,466)
Regulatory Services	(9,249)
Social Services	(550,361)
Transportation	(240,394)
Interest on Long-Term Debt	(71,270)
<b>Total Governmental Activities Expenses</b>	<b>(8,087,427)</b>

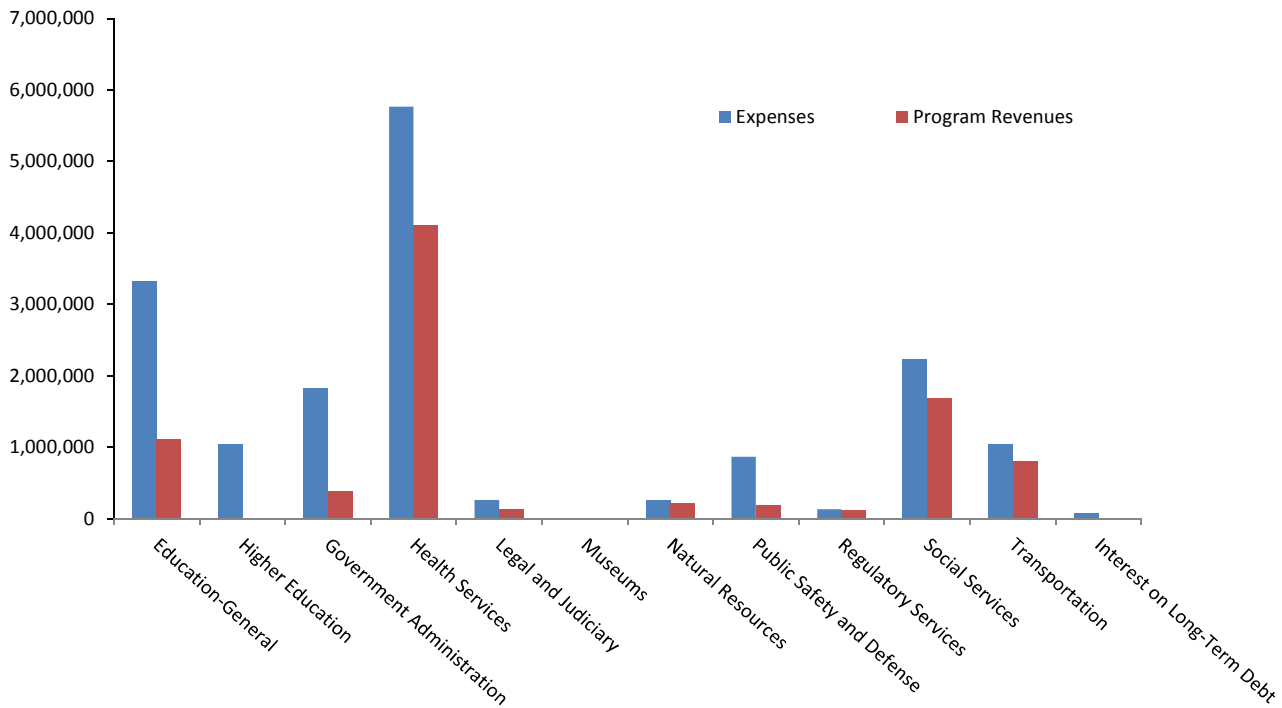
**General Revenue**

Taxes	8,646,148
Investment Earnings	59,298
Contributions to Permanent Funds	60,516
Transfers	81,020
<b>Increase in Governmental Activities Net Position</b>	<b>\$ 759,555</b>

**Expenses and Program Revenues – Governmental Activities**

**Fiscal Year 2014**

*(expressed in thousands)*





## **Business-Type Activities**

The business-type activities increased the state's net position by \$247 million, a 12.6% increase, to \$2.2 billion. This increase comes after an increase of 19.2% in the prior year. The increase primarily resulted from a reduction in payments by the Oklahoma Unemployment Insurance Trust Fund (OUITF). Unemployment benefit payments decreased over last year by \$96 million or 25%. The OUITF's net position increased \$207 million, the Oklahoma Water Resources Board's (OWRB) net position increased by \$22 million, the Employees Group Insurance Division of the Office of Management and Enterprise Services increased \$17 million, and the Oklahoma Lottery Commission had an increase in net position of \$1 million.

## **FINANCIAL ANALYSIS OF THE STATE'S INDIVIDUAL FUNDS**

As noted earlier, the state uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **Governmental Funds**

The focus of the state's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the state's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the state's governmental funds reported combined ending fund balances of \$7.1 billion, an increase of \$303 million from the prior year. The largest portion (\$3.3 billion or 46.8%) of this total amount constitutes nonspendable fund balance, which includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. In addition \$1.3 billion (19.1%) of fund balance is classified as restricted meaning that the funds can only be used for specific purposes defined by enabling legislation or externally imposed limitations. Amounts that can only be used for specific purposes pursuant to constraints of the government's highest level of decision-making authority are reported as committed fund balance. Committed fund balance represents \$2.2 billion (31.1%) of total fund balance. Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted or committed are reported as assigned fund balance. Assigned fund balance represents \$71.8 million (1.0%) of total fund balance. The remaining funds that are not classified in any of the other four categories represent unassigned fund balance. For the fiscal year ended June 30, 2014 the state has \$134 million (1.9%) classified as unassigned fund balance.

The General Fund is the chief operating fund of the state. At the end of the current fiscal year, the total fund balance decreased \$112 million to \$3.7 billion. As a measure of the General Fund's liquidity, it may be useful to compare the portion of fund balance not classified as nonspendable (spendable) and total fund balance to total fund expenditures. Spendable fund balance represents 21.0% of total Governmental Fund expenditures, while total fund balance represents 40.3% of that same amount.

Overall the fund balance of the state's General Fund increased by \$303 million during the current fiscal year. This 4.5% increase from the prior year is primarily due to improved gross production and sales tax collections.

The Commissioners of the Land Office manages land and cash set aside by the Federal Government for the use and benefit of public education in Oklahoma to generate maximum earnings for Trust beneficiaries. The Trust beneficiaries are common education and thirteen Oklahoma colleges and universities. This year total program revenues were \$420 million compared to \$299 million for the prior year. Distributions to beneficiaries totaled \$124 million for fiscal year 2014 with \$30 million disbursed to universities and colleges and \$88 million disbursed to public schools, and \$6 million disbursed for public buildings. This was an increase of \$4 million from the apportionments of fiscal year 2013.

The Department of Wildlife's Lifetime Licenses' fund balance increased by 3.6% to \$78.5 million. This increase occurred due to collections for licenses.

The Tobacco Settlement Endowment Permanent Fund holds certain moneys that are received in settlement of claims by the state against tobacco manufacturers. Earnings from these moneys are to be utilized for research, education,

prevention and treatment of tobacco related diseases and certain other health programs. This fund reported a \$139 million net increase in fund balance with \$61 million coming in from the settlement payment by tobacco manufacturers for 2014. The prior year's payment was about \$88 million. The state now has \$968.7 million in the permanent fund.

### **Proprietary Funds**

The state's Proprietary Fund Financial Statements provide the same type of information found in the Government-Wide Financial Statements for business-type activities. This information is presented on the same basis of accounting, but provides more detail.

As discussed in the business-type activities section above, the state's net position increased by \$247 million as a result of operations in the proprietary funds. This resulted from a \$207 million increase in net position by the Oklahoma Unemployment Insurance Trust Fund (OUITF), an increase in net position of \$22 million by the Oklahoma Water Resources Board's (OWRB) program for making loans to local government units for drinking and waste water facilities, an increase of \$17 million by the Employees Group Insurance Division of the Office of Management and Enterprise Services (EGID) for insurance benefit administration, and an increase in net position of \$1 million by the Oklahoma Lottery Commission.

The OUITF increased in net position due to a reduction in operating expenses of \$96.4 million.

The OWRB increased net position by \$22.4 million which was \$0.9 million less than the \$21.5 million in the prior year.

The EGID increased net position by \$16.6 million. This was primarily due to an increase in investment revenue.

The Oklahoma Lottery Commission had an increase in net position of \$1.5 million. Generally, an increase in net position is related to unclaimed winnings.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The differences between the original budget and the final amended budget amounted to \$150 million with \$43 million (28.9%) coming from budget carryovers from fiscal year 2013 and the remaining \$107 million (71.1%) was attributable to supplemental appropriations.

The differences between the final budget and actual collections amounted to \$252 million less than budget. Based on a review by the budget department, this was determined to be a normal variance.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

The state's investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounts to \$21.0 billion, net of accumulated depreciation of \$10.0 billion, leaving a net book value of \$11.0 billion. This investment in capital assets includes land, buildings, improvements, equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the state, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items.

The total increase in the state's investment in capital assets for the current fiscal year was about 2.5% in terms of net book value. Actual expenditures to purchase or construct assets that are capitalized were \$883 million for the year, a \$95 million (12%) increase from the prior year. Most of this amount was used to construct or reconstruct roads and bridges. Depreciation charges for the year totaled \$512 million. Additional information on the state's capital assets can be found in Note 5 of the Notes to the Financial Statements of this report.

## **Debt Administration**

The authority of the state to incur debt is described in Article X, Section 25, of the Oklahoma Constitution. In 1987, the state created the Council of Bond Oversight. The Council meets to review all proposed debt issuances. The Council must approve each financing plan before obligations are issued. The legislation that created the Council of Bond Oversight also created the position of State Bond Advisor, who advises the Council and must approve the pricing and fees associated with any debt issuance.

General obligation bonds are backed by the full faith and credit of the state, including the state's power to levy additional taxes to ensure repayment of the debt. Accordingly, all general obligation debt currently outstanding was approved by a vote of the citizens.

The State of Oklahoma's total debt decreased by \$120.5 million, or 5.8%, during the current fiscal year. Business-type activities' debt decreased by \$134.6 million. The decrease in long-term obligations for both governmental activities and business-type activities came about as ordinary amortization of existing debt.

Additional information on the state's long-term debt obligations can be found in Notes 9, 10, and 11 of the Notes to the Financial Statements of this report.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Oklahoma unemployment rate was consistently lower than that for the nation between 1997 and 2014. The national unemployment rate is currently 5.8% while Oklahoma's still remains less at 4.4% for the same time period.

Inflationary trends in the region continue to compare favorably to national indices as well.

These factors are considered by legislative leaders and management in preparing the state's budget for future years. (See below.)

### **Budget and Revenue Collections**

The state Constitution requires adoption of a balanced budget. The revenue certification provided by the State Board of Equalization is the basis for development of the state's General Revenue Fund (GRF) budget. The GRF is a budgetary cash account included in the state's General Fund.

If new laws or changes in existing laws are passed that affect revenues, the Equalization Board meets to certify the effects of these changes on the official estimate. Appropriations in any fiscal year may not exceed 95% of the official revenue estimate (plus any cash funds on-hand and available for appropriation).

If collections to a certified cash account are insufficient to cover the appropriations from that account, the Constitution requires that appropriations be reduced proportionately to all agencies receiving an appropriation from that source. The Office of Management and Enterprise Services has the statutory duty to monitor revenue collections and, if warranted, to make reductions in appropriations to prevent deficit spending.

The Legislature may, in regular or special session, make selective reductions in spending or consider revenue increases.

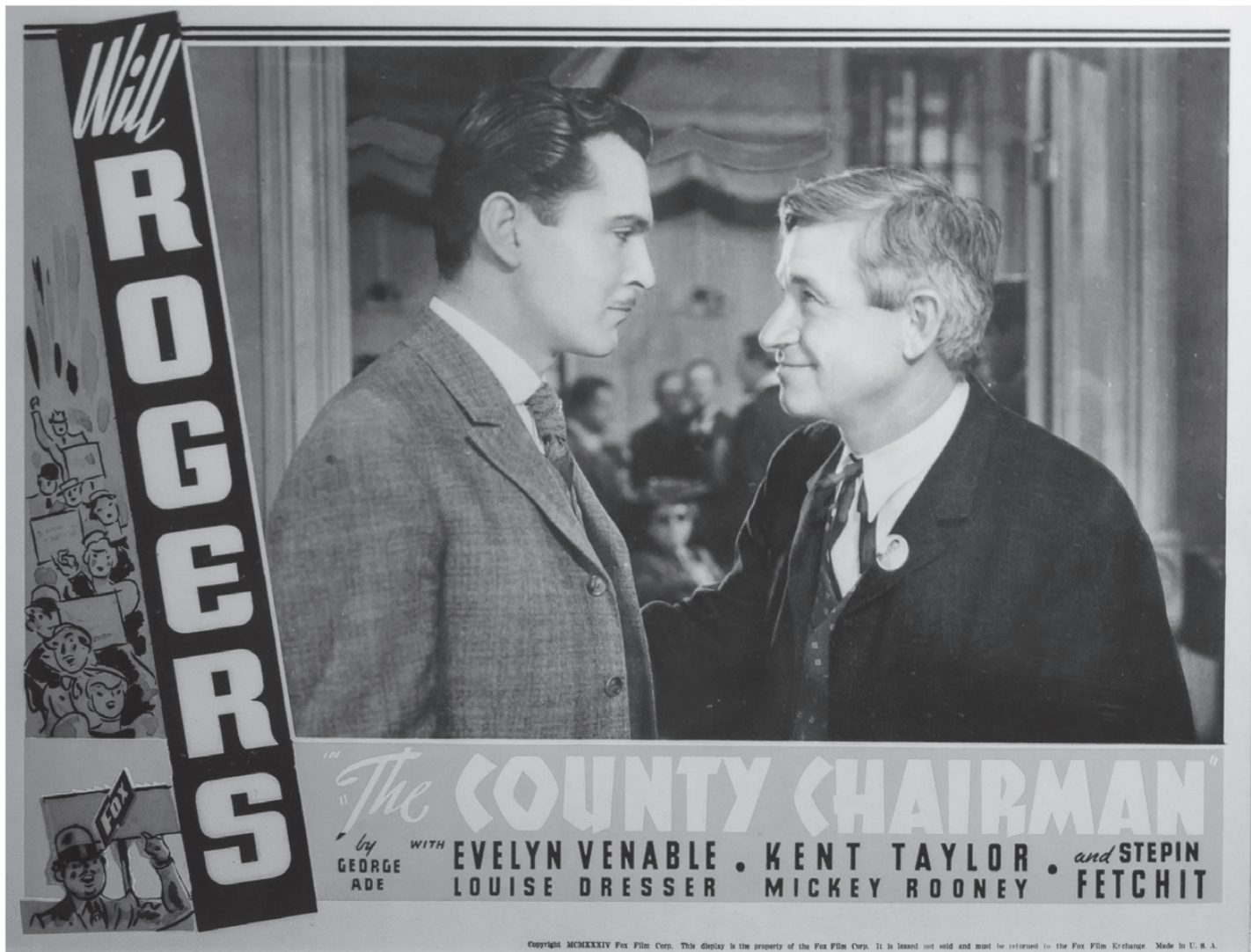
### **Fiscal Year 2015**

General revenue fund collections for the first five months of fiscal year 2015 exceeded expectations by 3.7% and were 6.7% higher than collections during the same time period of the prior year. The most recent reports, however, showed a flattening of collections. There is uncertainty of whether this was caused by a decrease in oil prices, or if it was an ordinary slow down. This will be monitored going forward in determining appropriations for the upcoming year.

For fiscal year 2015, Statement 68 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Pensions*, will be implemented by the state. This statement will require a change in the presentation of net pension liability which is currently only presented as a footnote disclosure. Beginning in the fiscal year ending June 30, 2015, a portion of net pension liability will be recorded as a liability on the Entity-Wide statement of net position.

## **REQUESTS FOR INFORMATION**

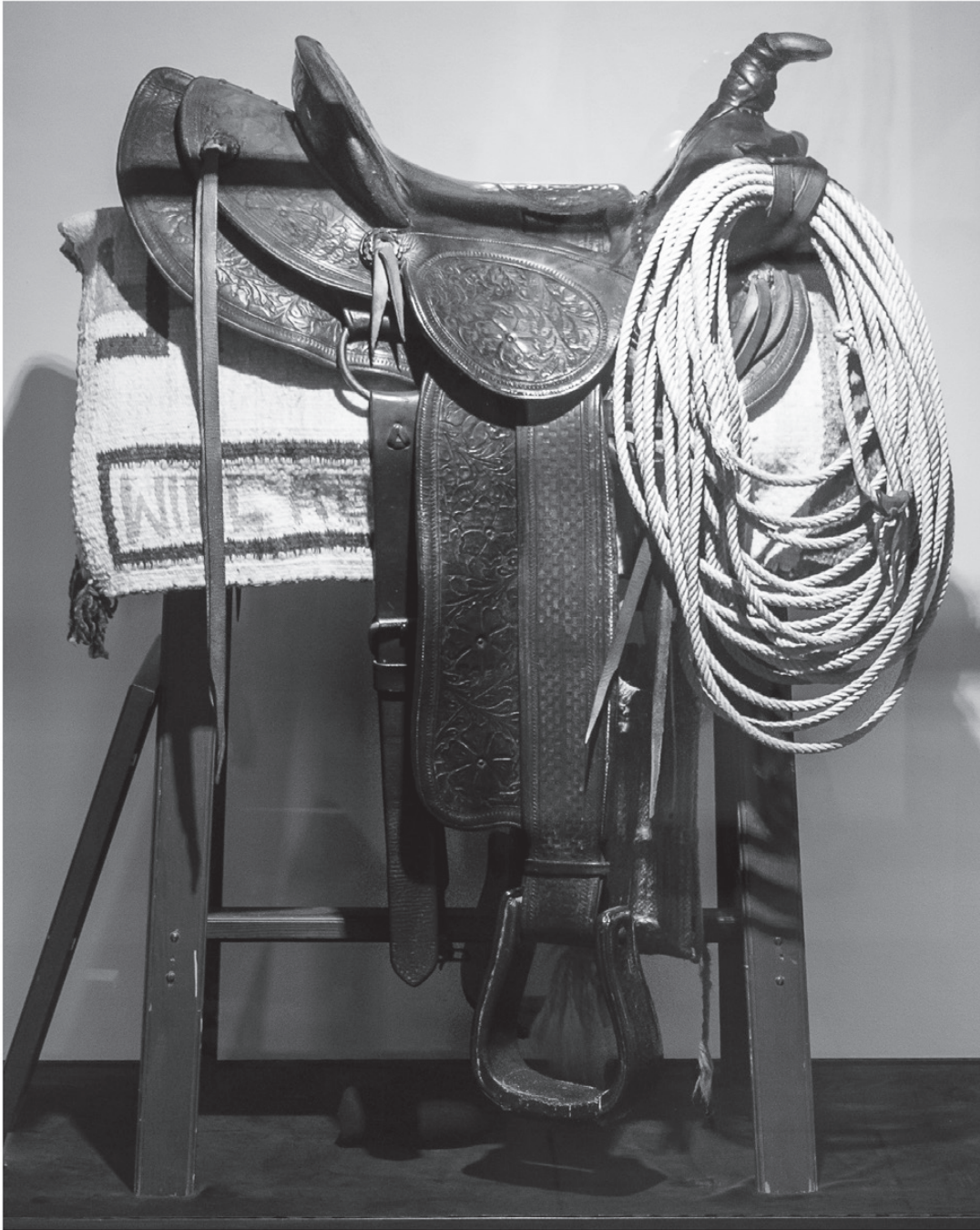
This financial report is designed to provide a general overview of the State of Oklahoma's finances for all of Oklahoma's citizens, taxpayers, customers, and investors and creditors. This financial report seeks to demonstrate the State's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: State of Oklahoma, Office of Management and Enterprise Services, 2300 N. Lincoln, Suite 122, Oklahoma City, OK 73105-4801 or [servicedesk@omes.ok.gov](mailto:servicedesk@omes.ok.gov).



## Basic Financial Statements

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# Basic Financial Statements



## **Government Wide Financial Statements**

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## **Government Wide Financial Statements**



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State of Oklahoma  
Government Wide  
Statement of Net Position  
June 30, 2014  
(expressed in thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
<b>Assets</b>				
Current Assets				
Cash/Cash Equivalents	\$ 3,447,189	\$ 1,359,140	\$ 4,806,329	\$ 1,891,344
Investments	67,839	375,211	443,050	2,645,476
Securities Lending Investments	105,919	0	105,919	0
Accounts Receivable	48,742	48,319	97,061	521,412
Interest and Investment Revenue Receivable	27,724	20,694	48,418	18,295
Federal Grants Receivable	472,131	280	472,411	13,766
Taxes Receivable	307,033	107,238	414,271	0
Leases Receivable	4,132	0	4,132	0
Leases Receivable - Component Units	35,930	0	35,930	0
Other Receivables	54	0	54	28,155
Notes Receivable	0	65,628	65,628	73,180
Internal Balances	17,500	(17,500)	0	0
Receivable from External Parties	17	0	17	0
Due from Component Units	1,151	0	1,151	21,792
Due from Primary Government	0	51	51	46,182
Inventory	70,071	0	70,071	108,341
Prepaid Items	1,416	0	1,416	18,256
Other Current Assets	0	8,022	8,022	50,117
Total Current Assets	4,606,848	1,967,083	6,573,931	5,436,316
Noncurrent Assets				
Cash/Cash Equivalents - Restricted	113,795	52,455	166,250	697,412
Short Term Investments, Restricted	0	0	0	2,304,943
Long Term Investments	0	6,634	6,634	1,309,552
Long Term Investments, Restricted	3,198,023	84,194	3,282,217	0
Leases Receivable	14,410	0	14,410	0
Leases Receivables Component Units	517,436	0	517,436	0
Long-Term Notes Receivable,Net	0	1,062,676	1,062,676	72,934
Long-Term Notes Receivable, Net - Restricted	0	0	0	518,486
Long-Term Due from Comp Units	52,631	0	52,631	0
Capital Assets-Depreciable, Net	9,152,368	1,415	9,153,783	6,753,740
Capital Assets-Land	1,669,814	0	1,669,814	390,067
Capital Assets-Construction in Progress	187,442	0	187,442	596,846
Other Noncurrent Assets	14,632	5,856	20,488	249,922
Other Noncurrent Assets-Restricted	36,072	0	36,072	17,920
Total Noncurrent Assets	14,956,623	1,213,230	16,169,853	12,911,822
Total Assets	19,563,471	3,180,313	22,743,784	18,348,138
<b>Deferred Outflows</b>				
Deferred Issuance Costs	0	0	0	0
Unamortized Loss on Bond Refundings	3,822	0	3,822	0
Lease Restructuring	0	0	0	12,716
Advance Refunding of Bonds	0	0	0	90,319
Defeasance of Bonds	0	0	0	6,918
Accumulated Decrease in Fair Value of Derivatives	0	0	0	58,581
Total Deferred Outflows	3,822	0	3,822	168,534

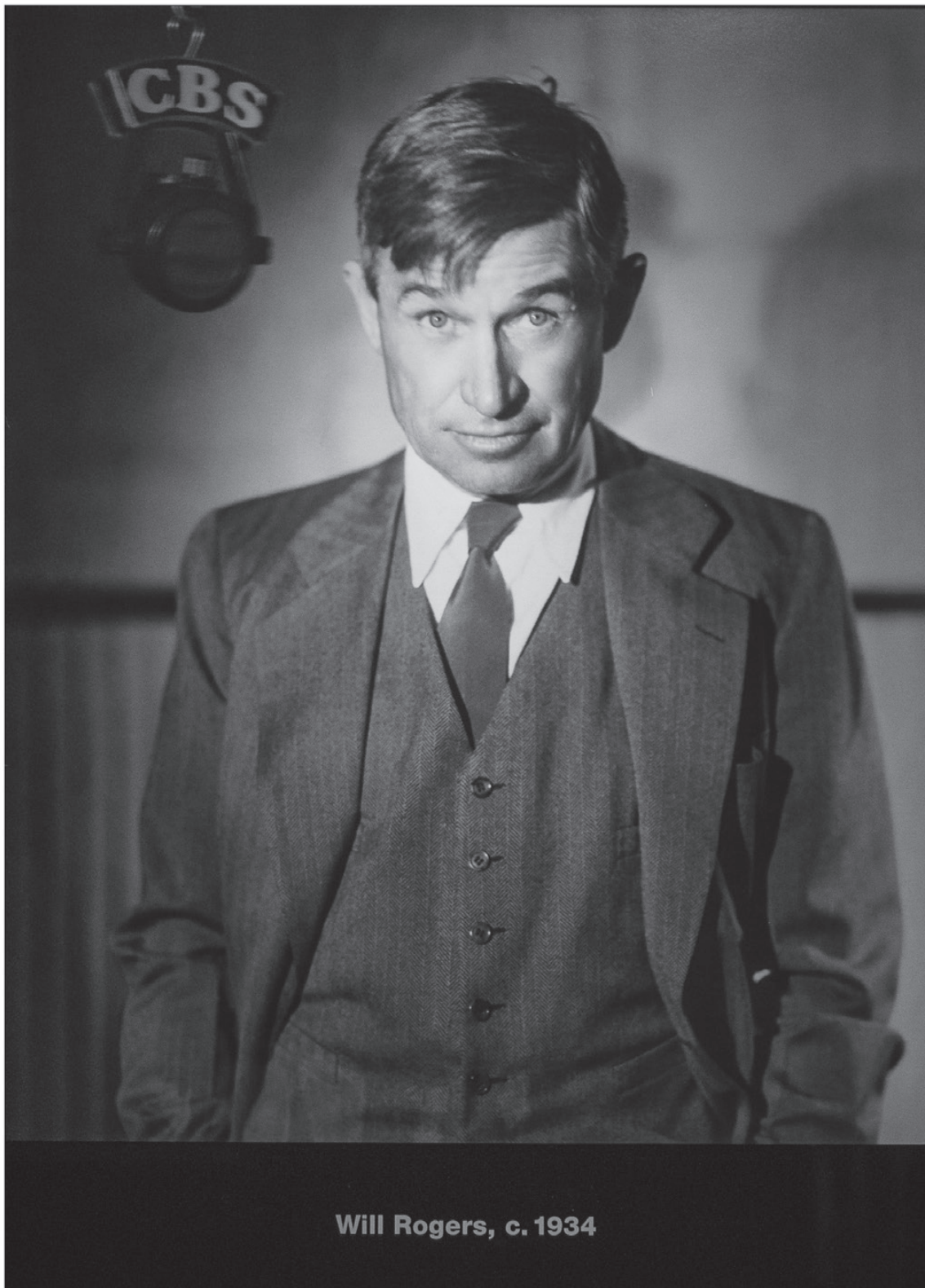
The Notes to the Financial Statements are an integral part of this statement.

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
<b>Liabilities</b>				
Current Liabilities				
Accounts Payable and Accrued Liabilities	\$ 862,467	\$ 115,682	\$ 978,149	\$ 376,425
Payable Under Securities Lending Agreements	105,919	0	105,919	0
Claims and Judgements	26,064	0	26,064	235,737
Interest Payable	24,815	7,658	32,473	76,778
Tax Refunds Payable	3,558	0	3,558	0
Payable to External Parties	34,988	0	34,988	590
Due to Component Units	40,992	0	40,992	22,111
Due to Primary Government	89	0	89	1,151
Due to Others	199,845	0	199,845	0
Capital Leases	2,425	0	2,425	35,285
Capital Leases-Primary Government	0	0	0	35,930
Compensated Absences	85,105	165	85,270	82,620
Notes Payable	19,400	0	19,400	103,108
General Obligation Bonds	24,560	0	24,560	690
Revenue Bonds (Net)	107,188	47,670	154,858	188,401
Other Current Liabilities	0	25,474	25,474	271,928
Total Current Liabilities	1,537,415	196,649	1,734,064	1,430,754
Noncurrent Liabilities				
Claims and Judgements	370	0	370	1,268,126
Due to Primary Government	0	0	0	52,658
Pension Obligation	124,187	0	124,187	0
Capital Leases	0	0	0	470,607
Capital Leases-Primary Government	5,846	0	5,846	517,436
Compensated Absences	72,645	935	73,580	35,363
Notes Payable	154,585	0	154,585	140,858
General Obligation Bonds	107,395	0	107,395	44,885
Revenue Bonds (including Premiums)	1,239,569	753,489	1,993,058	4,939,594
Other Postemployment Benefits	517	0	517	0
Other Noncurrent Liabilities	0	11,685	11,685	447,933
Total Noncurrent Liabilities	1,705,114	766,109	2,471,223	7,917,460
Total Liabilities	3,242,529	962,758	4,205,287	9,348,214
<b>Deferred Inflows</b>				
Deferred Amount on Refunding	0	4,066	4,066	0
Derivative Instruments	0	0	0	418
Accumulated Increase in Fair Value	0	0	0	13,746
Unearned Revenue	93,925	2,283	96,208	254,305
Service Concession Arrangements	0	0	0	10,140
Total Deferred Inflows	93,925	6,349	100,274	278,609
<b>Net Position</b>				
Net Investment in Capital Assets	9,992,791	1,415	9,994,206	3,328,487
Restricted for:				
Debt Service	845,014	285,827	1,130,841	345,916
Preservation of Wildlife	78,545	0	78,545	0
Educational Systems	2,310,448	0	2,310,448	0
Unemployment Benefits	0	1,287,664	1,287,664	0
Stabilization	401,389	0	401,389	0
Federal Grant Programs	94,367	0	94,367	0
Tobacco Cessation and Public Health				
Nonexpendable	845,220	0	845,220	2,068,289
Expendable	123,526	0	123,526	1,276,961
Unrestricted	1,539,539	636,300	2,175,839	1,870,196
Total Net Position	\$ 16,230,839	\$ 2,211,206	\$ 18,442,045	\$ 8,889,849

State of Oklahoma  
Government Wide  
Statement of Activities  
For the Fiscal Year Ended June 30, 2014  
(expressed in thousands)

Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Primary Government			
				Governmental Activities	Business-Type Activities	Total	
<b>Primary Government</b>							
<b>Governmental Activities:</b>							
Education-General	\$ 3,322,341	45,529	1,068,591	(2,208,221)		(2,208,221)	
Education-Payment to Higher Education	1,037,785	0	0	(1,037,785)		(1,037,785)	
Government Administration	1,830,570	189,569	198,221	(1,442,780)		(1,442,780)	
Health Services	5,766,102	557,041	3,549,442	(1,659,619)		(1,659,619)	
Legal and Judiciary	261,344	105,965	21,391	(133,988)		(133,988)	
Museums	17,691	2,852	1,044	(13,795)		(13,795)	
Natural Resources	264,233	159,831	51,903	(52,499)		(52,499)	
Public Safety and Defense	863,080	84,826	110,788	(667,466)		(667,466)	
Regulatory Services	131,756	115,372	7,135	(9,249)		(9,249)	
Social Services	2,240,638	61,925	1,628,352	(550,361)		(550,361)	
Transportation	1,043,522	113,190	689,938	(240,394)		(240,394)	
Interest on Long-Term Debt	71,270	0	0	(71,270)		(71,270)	
Total Governmental Activities	16,850,332	1,436,100	7,326,805	(8,087,427)		(8,087,427)	
<b>Business-Type Activities</b>							
Employment Security Commission	289,959	475,453	35,494		220,987	220,987	
Water Resources Board	35,286	55,315	2,407		22,436	22,436	
Office of Management and Enterprise Services	925,327	941,890	0		16,563	16,563	
Lottery Commission	123,180	191,564	0		68,384	68,384	
Total Business-Type Activities	1,373,752	1,664,222	37,901		328,370	328,370	
Total Primary Government	18,224,084	\$ 3,100,322	\$ 7,364,706	(8,087,427)	328,370	(7,759,057)	
<b>Component Units:</b>							
CompSource Oklahoma	348,039	383,599	0				35,560
Oklahoma Student Loan Authority	16,103	26,553	0				10,450
Oklahoma Housing Finance Agency	171,154	18,003	126,791				(26,360)
Oklahoma Turnpike Authority	199,751	242,226	0				42,475
Grand River Dam Authority	393,050	432,799	0				39,749
Oklahoma Municipal Power Authority	184,311	182,059	0				(2,252)
Higher Education	4,439,759	2,712,738	1,265,426				(461,595)
Nonmajor Component Units	558,769	402,160	5,077				(151,532)
Total Component Units	\$ 6,310,936	\$ 4,400,137	\$ 1,397,294				(513,505)
<b>General Revenues</b>							
Taxes:							
Income Taxes-Individual				2,855,601	0	2,855,601	0
Income Taxes-Corporate				408,665	0	408,665	0
Sales Tax				2,598,873	0	2,598,873	0
Gross Production Taxes				657,476	0	657,476	0
Motor Vehicle Taxes				778,694	0	778,694	0
Fuel Taxes				419,084	0	419,084	0
Tobacco Taxes				250,228	0	250,228	0
Other Business Taxes				199,800	0	199,800	0
Other Personal Taxes				873	0	873	0
Insurance Taxes				167,444	0	167,444	0
Beverage Taxes				108,830	0	108,830	0
Other Taxes				200,580	0	200,580	0
Payments from Primary Government				0	0	0	1,147,365
<b>Investment Earnings</b>				59,298	0	59,298	0
<b>Contributions to Permanent Funds</b>				60,516	0	60,516	0
<b>Capital Lease and COPs</b>				0	0	0	0
<b>Transfers</b>				81,020	(81,020)	0	0
Total General Revenues and Transfers				8,846,982	(81,020)	8,765,963	1,147,365
Change in Net Position				759,555	247,351	1,006,906	633,860
<b>Net Position - Beginning of Year (as restated)</b>				15,471,284	1,963,855	17,435,139	8,255,989
<b>Net Position - End of Year</b>				\$ 16,230,839	\$ 2,211,206	\$ 18,442,045	\$ 8,889,849

The Notes to the Financial Statements are an integral part of this statement.



Will Rogers, c. 1934

## **Fund Financial Statements**

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## **Fund Financial Statements**

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State of Oklahoma  
Balance Sheet  
Governmental Funds  
June 30, 2014  
(expressed in thousands)

	Permanent Funds				
		Commissioners of the Land Office	Department of Wildlife Lifetime Licenses	Tobacco Settlement Endowment	Total Governmental Funds
	General				
<b>Assets</b>					
Assets					
Cash/Cash Equivalents	\$ 3,394,253	\$ 106,805	\$ 9,726	\$ 50,201	\$ 3,560,985
Investments	67,839	2,206,199	68,696	923,128	3,265,862
Security Lending Investments	0	0	0	105,919	105,919
Accounts Receivable	48,742	0	0	0	48,742
Interest and Investment Revenue Receivable	27,724	11,939	0	3,908	43,571
Federal Grants Receivable	472,131	0	0	0	472,131
Taxes Receivable	307,033	0	0	0	307,033
Leases Receivable	18,542	0	0	0	18,542
Leases Receivable-Component Units	553,366	0	0	0	553,366
Other Receivables	54	19,330	0	895	20,279
Due from Other Funds	17,534	0	116	0	17,650
Due from Fiduciary Funds	17	0	0	0	17
Due from Component Units	1,151	0	0	0	1,151
Due From Component Units-Noncurrent	52,631	0	0	0	52,631
Inventory	70,071	0	0	0	70,071
Prepaid Items	1,416	0	0	0	1,416
Other Assets	14,625	0	7	0	14,632
Total Assets	5,047,129	2,344,273	78,545	1,084,051	8,553,998
<b>Liabilities</b>					
Accounts Payable and Accrued Liabilities	825,593	27,520	0	9,352	862,465
Payable Under Securities Lending Agreements	0	0	0	105,919	105,919
Tax Refunds Payable	3,558	0	0	0	3,558
Due to Other Funds	205	0	0	34	239
Due to Fiduciary Funds	34,988	0	0	0	34,988
Due to Component Units	40,992	0	0	0	40,992
Due to Others	199,845	0	0	0	199,845
Total Liabilities	1,105,181	27,520	0	115,305	1,248,006
<b>Deferred Inflows of Resources</b>					
Deferred Revenue	248,968	6,305	0	0	255,273
Total Deferred Inflows of Resources	248,968	6,305	0	0	255,273
<b>Fund Balances</b>					
Nonspendable	74,278	2,303,031	78,545	845,220	3,301,074
Restricted	1,340,771	7,417	0	0	1,348,188
Committed	2,142,358	0	0	53,430	2,195,788
Assigned	1,777	0	0	70,096	71,873
Unassigned	133,796	0	0	0	133,796
Total Fund Balances	\$ 3,692,980	\$ 2,310,448	\$ 78,545	\$ 968,746	\$ 7,050,719

The Notes to the Financial Statements are an integral part of this statement.



## Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

**Total Fund Balance - Governmental Funds** \$ 7,050,719

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	1,669,814	
Buildings and Improvements	1,590,772	
Equipment	527,563	
Infrastructure	17,045,738	
Construction in Progress	187,442	
Accumulated Depreciation	(10,011,705)	
		11,009,624

Some of the State's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. 161,345

The Uniform Retirement System for Judges and Justices, the Oklahoma Law Enforcement Retirement System and Wildlife Department have under funded their Annual Required Contributions, creating a net pension obligation. This liability is not payable from current available financial resources and is not reported in the funds. (124,187)

Certain bonds issued by the State are for the purpose of refunding older bond issues. Some bonds that are refunded are done so at a loss to the State. These losses are costs in the funds, but are amortized over the life of the refunding bonds on the statement of net position. 3,822

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Notes Payable	(173,985)	
General Obligation and Revenue Bonds	(1,387,943)	
Capital Leases and Certificates of Participation	(8,271)	
Bond Issue Premiums	(90,769)	
Accrued Interest on Bonds	(24,815)	
Compensated Absences	(157,750)	
Other postemployment benefits	(517)	
Claims and Judgements	(26,434)	
		(1,870,484)

**Net Position of Governmental Activities** \$ 16,230,839

The Notes to the Financial Statements are an integral part of this statement.

State of Oklahoma  
Statement of Revenues, Expenditures  
and Changes in Fund Balances-Governmental Funds  
For the Fiscal Year Ended June 30, 2014  
(expressed in thousands)

	General	Permanent Funds			Total Governmental Funds
		Commissioners of the Land Office	Department of Wildlife Lifetime Licenses	Tobacco Settlement Endowment	
<b>Revenues</b>					
Taxes					
Income Taxes-Individual	\$ 2,855,601	\$ 0	\$ 0	\$ 0	\$ 2,855,601
Sales Tax	2,598,873	0	0	0	2,598,873
Gross Production Tax	657,476	0	0	0	657,476
Income Taxes-Corporate	408,665	0	0	0	408,665
Motor Vehicle Taxes	778,694	0	0	0	778,694
Fuel Taxes	419,084	0	0	0	419,084
Tobacco Taxes	250,228	0	0	0	250,228
Other Business Taxes	199,800	0	0	0	199,800
Other Personal Taxes	873	0	0	0	873
Insurance Taxes	167,444	0	0	0	167,444
Beverage Taxes	108,830	0	0	0	108,830
Other Taxes	200,580	0	0	0	200,580
Licenses, Permits and Fees	669,106	0	2,716	0	671,822
Interest and Investment Revenue	174,986	401,508	0	116,203	692,697
Federal Grants	6,746,151	0	0	0	6,746,151
Sales and Services	188,029	12,058	0	0	200,087
Other Grants and Reimbursements	487,655	0	0	0	487,655
Fines and Penalties	53,794	0	0	0	53,794
Other	(99,596)	6,442	0	60,516	(32,638)
<b>Total Revenues</b>	<b>16,866,273</b>	<b>420,008</b>	<b>2,716</b>	<b>176,719</b>	<b>17,465,716</b>
<b>Expenditures</b>					
Education	4,213,301	146,210	0	0	4,359,511
Government Administration	2,166,450	0	0	37,641	2,204,091
Health Services	5,745,842	0	0	0	5,745,842
Legal and Judiciary	250,376	0	0	0	250,376
Museums	14,532	0	0	0	14,532
Natural Resources	246,556	0	0	0	246,556
Public Safety and Defense	798,173	0	0	0	798,173
Regulatory Services	128,460	0	0	0	128,460
Social Services	2,214,898	0	0	0	2,214,898
Transportation	225,768	0	0	0	225,768
Capital Outlay	894,655	0	0	29	894,684
Debt Service					
Principal Retirement	361,488	0	0	0	361,488
Interest and Fiscal Charges	71,269	0	0	0	71,269
<b>Total Expenditures</b>	<b>17,331,768</b>	<b>146,210</b>	<b>0</b>	<b>37,670</b>	<b>17,515,648</b>
Revenues in Excess of (Less Than) Expenditures	(465,495)	273,798	2,716	139,049	(49,932)
<b>Other Financing Sources (Uses)</b>					
Transfers In	81,020	0	0	0	81,020
Bonds Issued	235,505	0	0	0	235,505
Refunding Bonds	0	0	0	0	0
Bond Issue Premiums	25,679	0	0	0	25,679
Bond and Note Issue Discounts	0	0	0	0	0
Capital Leases	322	0	0	0	322
Sale of Capital Assets	10,798	0	0	0	10,798
<b>Total Other Financing Sources (Uses)</b>	<b>353,324</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>353,324</b>
<b>Net Change in Fund Balances</b>	<b>(112,171)</b>	<b>273,798</b>	<b>2,716</b>	<b>139,049</b>	<b>303,392</b>
<b>Fund Balances - Beginning of Year (as restated)</b>	<b>3,805,151</b>	<b>2,036,650</b>	<b>75,829</b>	<b>829,697</b>	<b>6,747,327</b>
<b>Fund Balances - End of Year</b>	<b>\$ 3,692,980</b>	<b>\$ 2,310,448</b>	<b>\$ 78,545</b>	<b>\$ 968,746</b>	<b>\$ 7,050,719</b>

The Notes to the Financial Statements are an integral part of this statement.

## Reconciliation of the Governmental Funds Schedule of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities

Net Change in Fund Balances - Total Governmental Funds \$ 303,392

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statements of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$866,452) exceeded depreciation (\$510,884) in the current period. 355,568

In the statement of activities, only the gain on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold. (88,556)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 65,093

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which bond payments (\$358,171) exceeded proceeds (\$235,505). 122,666

Bond issuance premiums and discounts are other financing sources or uses to governmental funds, but are deferred liabilities in the statement of net position. This is the amount of bond issue premiums. (25,678)

Contributions to certain pension plans use current financial resources from governmental funds, while an increase in the net pension obligation (\$13,661) is an expense in the statement of activities. (8,075)

Some of the assets acquired this year were financed as capital leases. The amount financed is reported in the governmental funds as a source of financing. However, capital leases are long-term liabilities in the statement of net position. This is the amount by which the payment of principal (\$3,317) is exceeded by the addition of new capital leases (\$322). 2,995

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Accretion of bond premiums	10,575	
Decrease in entity-wide interest payable	4,451	
Increase in compensated absences	(4,808)	
Amortization of losses on refunded bonds	(861)	
Increase in Other Postemployment Benefit liability	(129)	
Decrease in claims and judgments payable	22,922	
		32,150

Change in Net Position of Governmental Activities \$ 759,555

The Notes to the Financial Statements are an integral part of this statement.

State of Oklahoma  
Statement of Net Position  
Proprietary Funds  
June 30, 2014  
(expressed in thousands)

	Business-Type Activities - Enterprise Funds				
	Employment Security Commission	Water Resources Board	Office of Management and Enterprise Services	Lottery Commission	Total
<b>Assets</b>					
Current Assets					
Cash/Cash Equivalents	\$ 1,169,855	\$ 65,310	\$ 100,881	\$ 23,094	\$ 1,359,140
Investments	0	53,453	321,758	0	375,211
Accounts Receivable	1,417	0	40,757	6,145	48,319
Interest and Investment Revenue Receivable	11,058	8,758	879	0	20,695
Federal Grants Receivable	17	262	0	0	279
Taxes Receivable	107,238	0	0	0	107,238
Notes Receivable	0	65,628	0	0	65,628
Due from Other Funds	0	0	51	0	51
Other Current Assets	0	86	7,936	0	8,022
Total Current Assets	1,289,585	193,497	472,262	29,239	1,984,583
Noncurrent Assets					
Cash/Cash Equivalents - Restricted	0	52,455	0	0	52,455
Long-Term Investments	0	6,634	0	0	6,634
Long-Term Investments - Restricted	0	84,194	0	0	84,194
Long-Term Notes Receivable	0	1,062,676	0	0	1,062,676
Capital Assets, Net	0	0	1,354	61	1,415
Other Noncurrent Assets	0	0	0	5,856	5,856
Total Noncurrent Assets	0	1,205,959	1,354	5,917	1,213,230
Total Assets	1,289,585	1,399,456	473,616	35,156	3,197,813
<b>Liabilities</b>					
Current Liabilities					
Accounts Payable and Accrued Liabilities	0	19	109,575	6,088	115,682
Interest Payable	0	7,658	0	0	7,658
Compensated Absences	0	48	0	117	165
Revenue Bonds (Net)	0	47,670	0	0	47,670
Due to Component Units	0	0	0	0	0
Due to Other Funds	0	364	0	17,136	17,500
Other Current Liabilities	0	3,039	22,435	0	25,474
Total Current Liabilities	0	58,798	132,010	23,341	214,149
Noncurrent Liabilities					
Revenue Bonds (including Premiums)	0	753,489	0	0	753,489
Compensated Absences	0	89	788	58	935
Other Noncurrent Liabilities	0	0	11,685	0	11,685
Total Noncurrent Liabilities	0	753,578	12,473	58	766,109
Total Liabilities	0	812,376	144,483	23,399	980,258
<b>Deferred Inflows of Resources</b>					
Deferred Amount on Refunding	0	4,066	0	0	4,066
Deferred Revenue	1,921	0	0	362	2,283
Total Deferred Inflows	1,921	4,066	0	362	6,349
<b>Net Position</b>					
Invested in Capital Assets	0	0	1,354	61	1,415
Restricted for:					
Debt Service	0	285,827	0	0	285,827
Unemployment Benefits	1,287,664	0	0	0	1,287,664
Unrestricted	0	297,187	327,779	11,334	636,300
Total Net Position	1,287,664	583,014	329,133	11,395	2,211,206

The Notes to the Financial Statements are an integral part of this statement.

State of Oklahoma  
Statement of Revenues, Expenses  
and Changes in Net Position  
Proprietary Funds

For the Fiscal Year Ended June 30, 2014  
(expressed in thousands)

	Business-Type Activities - Enterprise Funds				
	Employment Security Commission	Water Resources Board	Office of Management and Enterprise Services	Lottery Commission	Total
<b>Operating Revenues</b>					
Sales and Services	\$ 446,733	\$ 0	\$ 903,192	\$ 191,127	\$ 1,541,052
Federal Grants	35,494	2,407	0	0	37,901
Interest and Investment Revenue	0	33,013	0	0	33,013
Other	0	0	1,709	113	1,822
Total Operating Revenues	482,227	35,420	904,901	191,240	1,613,788
<b>Operating Expenses</b>					
Facilities Operations and Maintenance	0	0	0	194	194
Administration and General	8,366	4,510	40,738	4,255	57,869
Prizes, Commissions and Other	0	0	0	117,943	117,943
Interest	0	30,770	0	0	30,770
Depreciation	0	6	0	38	44
Benefit Payments and Refunds	281,593	0	884,589	0	1,166,182
Total Operating Expenses	289,959	35,286	925,327	122,430	1,373,002
Operating Income (Loss)	192,268	134	(20,426)	68,810	240,786
<b>Nonoperating Revenues (Expense)</b>					
Interest and Investment Revenue	25,984	4,628	36,989	324	67,925
Other Nonoperating Revenues	2,736	1,318	0	0	4,054
Nonoperating Federal Grants	0	16,356	0	0	16,356
Other Nonoperating Expenses	0	0	0	(750)	(750)
Total Nonoperating Revenues (Expenses)	28,720	22,302	36,989	(426)	87,585
Income (Loss) Before Transfers	220,988	22,436	16,563	68,384	328,371
Transfers In	0	50	0	0	50
Transfers Out	(14,065)	(71)	0	(66,934)	(81,070)
Change in Net Position	206,923	22,415	16,563	1,450	247,351
<b>Total Net Position - Beginning of Year</b>	1,080,741	560,599	312,570	9,945	1,963,855
<b>Total Net Position - Ending</b>	\$ 1,287,664	\$ 583,014	\$ 329,133	\$ 11,395	\$ 2,211,206

The Notes to the Financial Statements are an integral part of this statement.

State of Oklahoma  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2014  
(expressed in thousands)

	Business-Type Activities - Enterprise Funds				
	Employment Security Commission	Water Resources Board	Office of Management and Enterprise Services	Lottery Commission	Total
<b>Cash Flows from Operating Activities</b>					
Receipts from Customers and Users	483,072	0	1,009,328	178,074	1,670,474
Receipts from Federal Grants	38,279	2,900	0	0	41,179
Payments of Benefits	(304,024)	112	(987,767)	0	(1,291,679)
Payments to Suppliers	0	(2,747)	(31,536)	(10,158)	(44,441)
Payments to Employees	0	(1,608)	(8,295)	(2,411)	(12,314)
Payments to Prize Winners	0	0	0	(98,217)	(98,217)
Payments to fund deposit with Multi-State Lottery	0	0	0	(257)	(257)
Payments of Operating Interest Expense	0	(37,402)	0	0	(37,402)
Collections of Interest on Loans to Governmental Units	0	34,074	0	0	34,074
Net Cash Provided (Used) by Operating Activities	217,327	(4,671)	(18,270)	67,031	261,417
<b>Cash Flows from Noncapital Financing Activities</b>					
Federal Grants and Other Contributions	2,665	169,090	0	0	171,755
Transfers In	0	50	0	0	50
Transfers Out	0	(71)	0	(69,447)	(69,518)
Principal Paid on Bonds and Notes Payable	0	(272,760)	0	0	(272,760)
Net Cash Provided (Used) by Noncapital Financing Activities	2,665	(103,691)	0	(69,447)	(170,473)
<b>Cash Flows from Capital and Related Financing Activities</b>					
Payments for Acquisition of Capital Assets	0	0	(650)	(14)	(664)
Net Cash Used by Capital and Related Financing Activities	0	0	(650)	(14)	(664)
<b>Cash Flows from Investing Activities</b>					
Interest and Investment Revenue	24,645	4,968	3,142	330	33,085
Proceeds from Sale and Maturity of Investments	0	52,734	242,211	0	294,945
Payments to Purchase Investments	0	(959)	(229,322)	0	(230,281)
Collections of Principal on Loans to Governmental Units	0	200,503	0	0	200,503
Payments to Issue Notes Receivable	0	(111,116)	0	0	(111,116)
Net Cash Provided by Investing Activities	24,645	146,130	16,031	330	187,136
Net Increase in Cash/Cash Equivalents	244,637	37,768	(2,889)	(2,100)	277,416
<b>Cash/Cash Equivalents - Beginning of Year</b>	925,218	79,997	103,770	25,194	1,134,179
<b>Cash/Cash Equivalents - End of Year</b>	<u>\$ 1,169,855</u>	<u>\$ 117,765</u>	<u>\$ 100,881</u>	<u>\$ 23,094</u>	<u>\$ 1,411,595</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities</b>					
Operating Income (Loss)	\$ 192,268	\$ 134	\$ (20,426)	\$ 68,810	\$ 240,786
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities					
Depreciation Expense	0	6	190	38	234
Amortization (Accretion) and Other Noncash Expenses	0	(4,658)	52	90	(4,516)
Decrease (Increase) in Assets					
Accounts Receivable	35,330	0	(515)	(619)	34,196
Federal Receivable	952	0	0	0	952
Interest and Investment Receivable	0	1,373	0	0	1,373
Deposit with Multi-State Lottery	0	0	0	(257)	(257)
Other Receivables	0	26	(11,159)	0	(11,133)
Increase (Decrease) in Liabilities					
Accounts Payable and Accrued Liabilities	0	(196)	12,923	(374)	12,353
Interest Payable	0	(1,773)	0	0	(1,773)
Prizes Payable	0	0	0	71	71
Compensated Absences	0	44	0	0	44
Due to other funds	0	0	0	(791)	(791)
Deferred Revenue	(11,222)	0	0	63	(11,159)
Other Current Liabilities	0	373	665	0	1,038
Miscellaneous	(1)	0	0	0	(1)
Net Cash Provided (Used) by Operating Activities	<u>\$ 217,327</u>	<u>\$ (4,671)</u>	<u>\$ (18,270)</u>	<u>\$ 67,031</u>	<u>\$ 261,417</u>

The Notes to the Financial Statements are an integral part of this statement.

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State of Oklahoma  
Statement of Fiduciary Net Position  
Fiduciary Funds and Similar Component Units  
June 30, 2014  
(expressed in thousands)

	Pension Trust Funds	Agency Fund
<b>Assets</b>		
Cash/Cash Equivalents	\$ 620,103	\$ 694,974
Investments, at fair value		
Equity Securities	15,560,924	0
Governmental Securities	2,827,453	0
Debt Securities	3,590,323	0
Mutual Funds	3,646,420	0
Other Investments	2,400,138	85
Securities Lending Investments	3,310,021	0
Accounts Receivable	0	21
Interest and Investment Revenue Receivable	65,943	0
Employer Contributions Receivable	34,092	0
Employee Contributions Receivable	20,149	0
Other Receivables	98,504	0
Due from Broker	353,221	0
Due from Primary Government	35,578	0
Inventory	0	8,587
Capital Assets, Net	4,166	0
Other Assets	387	0
Total Assets	<u>32,567,422</u>	<u>703,667</u>
<b>Liabilities</b>		
Account Payable	3,133	323
Deferred Revenue	0	3
Tax Refunds Payable	0	63,418
Securities Lending Payable	3,310,021	0
Due to Brokers	649,583	0
Due to Other Funds	17	0
Due to Others	0	639,923
Benefits in the Process of Payment	78,133	0
Other Liabilities	13,541	0
Total Liabilities	<u>4,054,428</u>	<u>703,667</u>
<b>Net Position</b>		
Held in Trust for Pension Benefits and Pool Participants	<u>\$ 28,512,994</u>	

The Notes to the Financial Statements are an integral part of this statement.

State of Oklahoma  
Statement of Changes in  
Fiduciary Net Position  
Fiduciary Funds and Similar Component Units  
For the Fiscal Year Ended June 30, 2014  
(expressed in thousands)

	Pension Trust Funds
<b>Additions</b>	
Contributions	
Employer Contributions	\$ 753,293
Employee Contributions	427,805
Other Contributions	452,196
Total Contributions	1,633,294
Investment Earnings	
Net Increase (Decrease) in Fair Value of Investments	4,238,617
Interest and Investment Revenue	549,800
Total Investment Earnings	4,788,417
Less Investment Expenses	88,819
Net Investment Earnings	4,699,598
Total Additions	6,332,892
<b>Deductions</b>	
Administrative and General Expenses	18,903
Benefit Payments and Refunds	2,074,114
Total Deductions	2,093,017
Change in Net Position	4,239,875
<b>Net Position - Beginning of Year</b>	24,273,119
<b>Net Position - End of Year</b>	\$ 28,512,994

The Notes to the Financial Statements are an integral part of this statement.

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## Major Component Units

The State of Oklahoma has seven major component units which are described below:

### COMPSOURCE OKLAHOMA

P.O. Box 53505, Oklahoma City, Oklahoma 73152

The Fund provides a source of workers' compensation insurance for all employers within the state including state agencies and other governmental units. The Fund is financed through employer premiums.

### OKLAHOMA STUDENT LOAN AUTHORITY

525 Central Park Drive, Suite 600, Oklahoma City, Oklahoma 73105

The Authority provides loans to qualified persons at participating educational institutions through the issuance of tax-exempt revenue bonds or other debt obligations.

### OKLAHOMA HOUSING FINANCE AGENCY

100 N.W. 63rd Street, Suite 200, Oklahoma City, Oklahoma 73116

The Agency is authorized to issue revenue bonds and notes in order to provide funds to promote the development of adequate residential housing and other economic development for the benefit of the State of Oklahoma.

### OKLAHOMA TURNPIKE AUTHORITY

P.O. Box 11357, Oklahoma City, Oklahoma 73111

The Authority is authorized to construct, maintain, repair, and operate turnpike projects at locations authorized by the Legislature and approved by the Department of Transportation. The Authority receives revenues from turnpike tolls and a percentage of the turnpike concessions sales. The Authority issues revenue bonds to finance the cost of turnpike projects.

### GRAND RIVER DAM AUTHORITY

P.O. Box 409, Vinita, Oklahoma 74301

The Authority controls the waters of the Grand River system to generate water power and electric energy and to promote irrigation, conservation and development of natural resources. The Authority produces and distributes electrical power for sale to customers primarily located in northeastern Oklahoma.

### OKLAHOMA MUNICIPAL POWER AUTHORITY

P.O. Box 1960, Edmond, Oklahoma 73083

The Authority provides a means for the municipal electric systems in the state to jointly plan, finance, acquire, and operate electrical power supply facilities necessary to meet the electrical energy requirements of their consumers. The Authority also sells electric power to its member municipalities.

### HIGHER EDUCATION

Higher Education is primarily comprised of colleges and universities which are members of the Oklahoma State System of Higher Education. The System includes the following colleges and universities:

#### COMPREHENSIVE UNIVERSITIES

University of Oklahoma  
Oklahoma State University

#### OTHER FOUR YEAR UNIVERSITIES

University of Central Oklahoma

East Central University  
Northeastern State University  
Northwestern Oklahoma State University  
Southeastern Oklahoma State University  
Southwestern Oklahoma State University  
Cameron University  
Langston University  
Oklahoma Panhandle State University  
Rogers State University  
University of Science and Arts of Oklahoma

#### TWO YEAR COLLEGES

Carl Albert State College  
Connors State College  
Eastern Oklahoma State College  
Redlands Community College  
Murray State College  
Northeastern Oklahoma A & M College  
Northern Oklahoma College  
Oklahoma City Community College  
Rose State College  
Seminole State College  
Tulsa Community College  
Western Oklahoma State College

Each institution which is a member of the Oklahoma State System of Higher Education (the "System") is governed by Board of Regents. The Boards of Regents consist of five to ten members appointed by the Governor, with the advice and consent of the Senate. The colleges and universities are funded through state appropriations, tuition, federal grants, and private donations and grants. Also included in the Higher Education Component Unit are the following entities:

**Oklahoma State Regents for Higher Education** serves as the coordinating board of control for the System.

**Regional University System of Oklahoma Regents** has legislative powers and duties to manage, supervise, and control operation of the six regional state universities which are the University of Central Oklahoma, East Central University, Northeastern State University, Northwestern Oklahoma State University, Southeastern Oklahoma State University, and Southwestern Oklahoma State University.

**University Center of Southern Oklahoma** was established to make higher education available to those persons who might otherwise not be able to attend an institution of higher learning in southern Oklahoma. Students enrolled in the Program earn credit applicable toward academic degrees and certificates at participating institutions in the System.

**University Center at Ponca City** was established to make higher education available to those persons who might otherwise not be able to attend an institution of higher learning in northern Oklahoma. Students enrolled in the Program earn credit applicable toward academic degrees and certificates at participating institutions in the System.

**Rose State College Technical Area Education District, South Oklahoma City Area School District, and Tulsa Community College Area School District #18** were created to provide secondary vocational, technical, and adult education programs for persons within their defined geographical boundaries.

State of Oklahoma  
Combining Statement of Net Position  
Major Component Units  
June 30, 2014  
(expressed in thousands)

	CompSource Oklahoma	Oklahoma Student Loan Authority	Oklahoma Housing Finance Agency	Oklahoma Turnpike Authority	Grand River Dam Authority	Oklahoma Municipal Power Authority	Higher Education Component Unit	Nonmajor Component Units Total	All Component Units Total
<b>Assets</b>									
<b>Current Assets</b>									
Cash/Cash Equivalents -									
Unrestricted	\$ 174,886	\$ 0	\$ 9,680	\$ 36,343	\$ 27,200	\$ 4,007	\$ 1,453,520	\$ 185,708	\$ 1,891,344
Investments	1,345,334	16,716	5,351	43,216	68,777	11,020	1,125,528	29,534	2,645,476
Accounts Receivable	0	0	413	659	51,267	15,021	435,086	18,966	521,412
Interest and Investment									
Revenue Receivable	10,014	464	204	412	2,012	325	4,607	257	18,295
Federal Grants Receivable	0	0	319	0	0	0	13,447	0	13,766
Other Receivables	(25,601)	0	0	0	0	0	52,675	1,081	28,155
Notes Receivable	64,312	0	0	0	0	0	8,139	729	73,180
Due from Component Units	19,129	0	0	0	1,399	0	854	410	21,792
Due from Primary Government	16,085	0	0	5,472	30	0	11,681	12,914	46,182
Inventory	0	0	0	5,979	72,353	6,606	23,403	0	108,341
Prepaid Items	0	0	336	346	3,875	0	10,935	2,764	18,256
Other Current Assets	3,968	0	0	0	12,609	3,480	25,040	5,020	50,117
<b>Total Current Assets</b>	<b>1,608,127</b>	<b>17,180</b>	<b>16,303</b>	<b>92,427</b>	<b>239,522</b>	<b>40,459</b>	<b>3,164,915</b>	<b>257,383</b>	<b>5,436,316</b>
<b>Noncurrent Assets</b>									
Cash/Cash Equivalents -									
Restricted	0	452	39,690	110,430	0	0	544,212	2,628	697,412
Investments - Restricted	0	22,310	539,561	180,977	0	227,294	1,321,505	13,296	2,304,943
Long-Term Investments									
Unrestricted	0	0	45,642	0	397,792	21,929	826,719	17,470	1,309,552
Long-Term Notes Receivable, Net									
Unrestricted	16,917	4,204	0	0	0	0	44,394	7,419	72,934
Restricted	0	518,486	0	0	0	0	0	0	518,486
Capital Assets									
Depreciable, Net	22,322	1,140	2,387	826,980	731,533	410,801	4,477,795	280,782	6,753,740
Land	1,179	0	550	163,352	35,923	0	184,742	4,321	390,067
Construction in Progress	0	0	0	231,912	57,589	42,965	240,988	23,392	596,846
Other Noncurrent Assets									
Unrestricted	5,997	870	0	78	0	116,389	106,496	20,092	249,922
Restricted	0	6,393	2,667	0	7,463	1,361	0	36	17,920
<b>Total Noncurrent Assets</b>	<b>46,415</b>	<b>553,855</b>	<b>630,497</b>	<b>1,513,729</b>	<b>1,230,300</b>	<b>820,739</b>	<b>7,746,851</b>	<b>369,436</b>	<b>12,911,822</b>
<b>Total Assets</b>	<b>1,654,542</b>	<b>571,035</b>	<b>646,800</b>	<b>1,606,156</b>	<b>1,469,822</b>	<b>861,198</b>	<b>10,911,766</b>	<b>626,819</b>	<b>18,348,138</b>
<b>Deferred Outflow of Resources</b>									
Accumulated Decrease in Fair Value									
of Derivatives	0	0	281	49,666	0	8,634	0	0	58,581
Lease Restructuring	0	0	0	0	0	0	12,716	0	12,716
Advance Refunding of Bonds	0	0	0	73,578	0	12,633	4,015	93	90,319
Defeasance of Bonds	0	0	0	0	0	0	6,918	0	6,918
<b>Total Deferred Outflows</b>	<b>0</b>	<b>0</b>	<b>281</b>	<b>123,244</b>	<b>0</b>	<b>21,267</b>	<b>23,649</b>	<b>93</b>	<b>168,534</b>

The Notes to the Financial Statements are an integral part of this statement.

	CompSource Oklahoma	Oklahoma Student Loan Authority	Oklahoma Housing Finance Agency	Oklahoma Turnpike Authority	Grand River Dam Authority	Oklahoma Municipal Power Authority	Higher Education Component Unit	Nonmajor Component Units Total	All Component Units Total
<b>Liabilities</b>									
Current Liabilities									
Accounts Payable and Accrued Liabilities	21,277	1,128	1,343	23,992	62,391	23,203	207,917	35,174	376,425
Payable Under Securities Claims and Judgements	216,577	0	0	0	0	0	2,805	16,355	235,737
Interest Payable	0	3,111	1,704	17,915	18,097	16,346	18,553	1,052	76,778
Due to Fiduciary Funds	0	0	0	0	590	0	0	0	590
Due to Other Component Units	614	0	0	40	134	1,716	450	19,157	22,111
Due to Primary Government	1	0	0	42	78	0	1,026	4	1,151
Capital Leases	0	0	0	0	0	0	34,696	589	35,285
Capital Leases-Primary Govt.	0	0	0	0	0	0	35,930	0	35,930
Compensated Absences	1,918	260	953	1,976	0	0	77,204	309	82,620
Notes Payable	0	0	0	18,000	0	1,885	79,169	4,054	103,108
General Obligation Bonds	0	0	0	0	0	0	0	690	690
Revenue Bonds	0	0	22,963	49,775	36,306	19,600	46,577	13,180	188,401
Other Current Liabilities	1,296	0	0	0	0	1,265	261,659	7,708	271,928
Total Current Liabilities	241,683	4,499	26,963	111,740	117,596	64,015	765,986	98,272	1,430,754
Noncurrent Liabilities									
Claims and Judgements	929,403	0	0	0	0	0	5,129	333,594	1,268,126
Due to Primary Government	0	0	0	52,658	0	0	0	0	52,658
Capital Leases	0	0	0	0	0	0	470,341	266	470,607
Capital Leases-Primary Govt.	0	0	0	0	0	0	517,436	0	517,436
Compensated Absences	0	0	0	0	0	0	35,253	110	35,363
Notes Payable	0	31,400	0	0	0	41,983	35,205	32,270	140,858
General Obligation Bonds	0	0	0	0	0	0	0	44,885	44,885
Revenue Bonds	0	465,201	472,752	986,175	778,065	724,445	1,368,505	56,559	4,851,702
Unamortized Premium (Discount)	0	0	7,171	69,418	6,078	4,983	333	(91)	87,892
Other Noncurrent Liabilities	0	0	0	49,666	5,098	7,368	362,669	23,132	447,933
Total Noncurrent Liabilities	929,403	496,601	479,923	1,157,917	789,241	778,779	2,794,871	490,725	7,917,460
Total Liabilities	1,171,086	501,100	506,886	1,269,657	906,837	842,794	3,560,857	588,997	9,348,214
<b>Deferred Inflow of Resources</b>									
Deferred Revenue	89,691	0	361	24,851	0	0	139,131	271	254,305
Accumulated increase in Fair Value	0	0	0	0	0	13,746	0	0	13,746
Derivative Instruments	0	0	0	0	0	0	418	0	418
Service Concession Arrangements	0	0	0	0	0	0	10,140	0	10,140
Total Deferred Inflows	89,691	0	361	24,851	0	13,746	149,689	271	278,609
<b>Net Position</b>									
Invested in Capital Assets, Net of Related Debt	23,501	1,140	2,937	182,443	348,206	(34,071)	2,561,144	243,187	3,328,487
Restricted for:									
Debt Service	0	0	87,689	131,433	33,527	31,634	61,633	0	345,916
Other Special Purpose									
Expendable	5,000	47,695	2,856	43,562	1,942	11,235	1,161,008	3,663	1,276,961
Nonexpendable	0	0	0	0	0	0	2,068,289	0	2,068,289
Unrestricted	365,264	21,100	46,352	77,454	179,310	17,127	1,372,795	(209,206)	1,870,196
Total Net Position	\$ 393,765	\$ 69,935	\$ 139,834	\$ 434,892	\$ 562,985	\$ 25,925	\$ 7,224,869	\$ 37,644	\$ 8,889,849

The Notes to the Financial Statements are an integral part of this statement.

State of Oklahoma  
Combining Statement of Activities  
Major Component Units  
For the Fiscal Year Ended June 30, 2014  
(expressed in thousands)

	Expenses	Program Revenues			Net (Expense) Revenue	General Revenue		Net Position Beginning of Year	Net Position End of Year
		Charges for Services	Operating Grants and Contributions			Payments from Primary Government	Change in Net Position		
<b>Component Units:</b>									
CompSource Oklahoma	\$ 348,039	\$ 383,599	\$ 0	\$ 35,560	\$ 0	\$ 35,560	\$ 358,205	\$ 393,765	
Oklahoma Student Loan Authority	16,103	26,553	0	10,450	0	10,450	59,485	69,935	
Oklahoma Housing Finance Agency	171,154	18,003	126,791	(26,360)	0	(26,360)	166,194	139,834	
Oklahoma Turnpike Authority	199,751	242,226	0	42,475	0	42,475	392,417	434,892	
Grand River Dam Authority	393,050	432,799	0	39,749	0	39,749	523,236	562,985	
Oklahoma Municipal Power Authority	184,311	182,059	0	(2,252)	0	(2,252)	28,177	25,925	
Higher Education Component Unit	4,439,759	2,712,738	1,265,426	(461,595)	1,037,785	576,190	6,648,679	7,224,869	
Nonmajor Component Units Total	558,769	402,160	5,077	(151,532)	109,580	(41,952)	79,596	37,644	
Total Component Units	\$ 6,310,936	\$ 4,400,137	\$ 1,397,294	\$ (513,505)	\$ 1,147,365	\$ 633,860	\$ 8,255,989	\$ 8,889,849	

The Notes to the Financial Statements are an integral part of this statement.





## Notes to the Financial Statements

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**Notes to the Financial Statements**

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FISCAL YEAR ENDED JUNE 30, 2014

### Note 1. Summary of Significant Accounting Policies

The accompanying financial statements of the State of Oklahoma (the “state”) have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

In March of 2012 the Governmental Accounting Standards Board (GASB) issued Statement 66 *Technical Corrections-2012: an amendment of GASB Statements No. 10 and No. 62*. The objective of this statement is to improve financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity’s risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, *Basic Financial Statements-and Management’s Discussion and Analysis-for State and Local Governments*.

The state was required to implement this standard for the fiscal year ended June 30, 2014.

In June 2012 GASB issued Statement 67 *Financial Reporting for Pension Plans: an amendment of GASB Statement No. 25*. The objective of this statement is to improve financial reporting by state and local governmental pension plans. This statement results form a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions.

The state was required to implement this standard for the fiscal year ended June 30, 2014.

In April 2013 GASB issued Statement 70 *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Some governments extend financial guarantees for the obligations of another government, a not-for-profit entity, or a private entity without directly receiving equal or approximately equal value in exchange ( a nonexchange transaction). As part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity that issued the obligation does not fulfill its payment requirements. Also, some governments issue obligations that are guaranteed by other entities in a nonexchange transaction. The objective of this statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. There were no nonexchange financial guarantees extended or received by the state during the fiscal year ended June 30, 2014.

The state was required to implement this standard for the fiscal year ended June 30, 2014.

The accompanying financial statements present the financial position of the state and the various funds and fund types, the results of operations of the state and the various funds and fund types, and the cash flows of the proprietary funds. The financial statements are presented as of June 30, 2014, and for the year then ended. The financial statements include

the various agencies, boards, commissions, public trusts, authorities and other organizational units governed by the Oklahoma State Legislature and/or Constitutional Officers of the State of Oklahoma.

#### **A. Reporting Entity**

The state has considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the state are such that exclusion would cause the state's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the state to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the state. Local school districts (the state's support of the public education system is reported in the General Fund) and other local authorities of various kinds that may meet only one of the criteria for inclusion in this report have not been included.

As required by generally accepted accounting principles (GAAP), these financial statements present the State of Oklahoma (the Primary Government) and its component units.

#### **Discrete Component Units**

Component units are entities which are legally separate from the state, but are financially accountable to the state, or whose relationships with the state are such that exclusion would cause the state's financial statements to be misleading or incomplete. Separately issued independent audit reports may be obtained from the Office of Management and Enterprise Services, 2300 North Lincoln Blvd., Suite 122, Oklahoma City, Oklahoma 73105. The audit reports may also be obtained from the respective component units at the addresses presented on the description page of the Fund Financial Statements section for the Major Component Units, and the description page in the Combining Financial Statement section of this report for the NonMajor Component Units.

The Component Units columns of the government-wide financial statements include the financial data of the following entities:

#### **MAJOR COMPONENT UNITS**

**CompSource Oklahoma** provides a source for workers' compensation insurance for all public and private employers within the state and operates similarly to an insurance company. CompSource is financed through employer premiums. The Board of Directors is comprised of ten members: the Lieutenant Governor, the State Auditor and Inspector or a designee, one member appointed by the Governor, one member appointed by the Speaker of the House of Representatives, one member appointed by the President Pro Tempore of the Senate, four members shall be elected by the Company's policy holders, and the CEO of CompSource Oklahoma. The state can impose its will on the Fund by its ability to remove state appointed Board members at will. The Fund was audited by other independent auditors for the year ended December 31, 2013, and their report, dated March 28, 2014, has been previously issued under separate cover.

The CompSource Mutual Insurance Company Act (HB 2201) was signed into law during 2013 and provides that CompSource, after a transition period, will become a domestic mutual insurance company effective January 1, 2015. As of this date it will cease to be a component unit of the state.

**Oklahoma Student Loan Authority** provides loan funds to qualified persons at participating educational institutions through the issuance of tax-exempt revenue bonds or other debt obligations. The Authority is composed of five members appointed by the Governor, with the advice and consent of the Senate. The state can impose its will on the Authority by its ability to veto or modify the Authority's decisions. The Authority was audited by other independent auditors for the year ended June 30, 2014, and their report, dated October 28, 2014 has been previously issued under separate cover.

**Oklahoma Housing Finance Agency** is authorized to issue revenue bonds and notes in order to provide funds to promote the development of residential housing and other economic development for the benefit of citizens. In addition, the Agency administers Section 8 Housing Assistance Payments programs for the U.S. Department of Housing and Urban Development. The Board of Trustees consists of five members

appointed by the Governor. The state can impose its will on the Agency by its ability to veto or modify the Agency's decisions. The Agency was audited by other independent auditors for the year ended September 30, 2013, and their report, dated January 27, 2014, has been previously issued under separate cover.

**Oklahoma Turnpike Authority** constructs, maintains, repairs, and operates turnpike projects at locations authorized by the Legislature and approved by the State Department of Transportation. The Authority receives its revenues from turnpike tolls and a percentage of turnpike concession sales. The Authority issues revenue bonds to finance turnpike projects. The Authority consists of the Governor and six members appointed by the Governor, with the advice and consent of the Senate. The state can impose its will on the Authority by its ability to veto or modify the Authority's decisions. The Authority was audited by other independent auditors for the year ended December 31, 2013, and their report, dated March 25, 2014, has been previously issued under separate cover.

**Grand River Dam Authority** controls the waters of the Grand River system to develop and generate water power and electric energy, and to promote irrigation, conservation and development of natural resources. The Authority produces and distributes electrical power for sale to customers primarily located in northeastern Oklahoma. The customers consist of rural electric cooperatives, municipalities, industries and off-system sales. The seven member Board of Directors consists of the General Manager of the Oklahoma Association of Electric Cooperatives, the Executive Director of the Municipal Electric Systems of Oklahoma, and appointees by the Governor, the Speaker of the House of Representatives, and the President Pro Tempore of the Senate. The state can impose its will on the Authority by its ability to veto or modify the Authority's decisions. The Authority was audited by other independent auditors for the year ended December 31, 2013, and their report, dated April 25, 2014, has been previously issued under separate cover.

**Oklahoma Municipal Power Authority** provides a means for the municipal electric systems in the state to jointly plan, finance, acquire, and operate electrical power supply facilities. Facilities are financed through the issuance of revenue bonds, which are approved by the state's Bond Oversight Commission. Exclusion of the Component Unit would cause the state's financial statements to be misleading or incomplete. The Authority was audited by other independent auditors for the year ended December 31, 2013, and their report, dated March 31, 2014, has been previously issued under separate cover.

**Higher Education Component Unit** - This component unit is primarily comprised of the 25 colleges and universities that are members of the Oklahoma State System of Higher Education (the System). All of the colleges and universities have foundations that receive and hold economic resources for the benefit of their associated entity. These foundations are component units of their respective college or university and are included as part of the Higher Education Component Unit. Separately issued independent audit reports for each college, university, foundation, or other included entity may be obtained from the Office of Management and Enterprise Services, 2300 North Lincoln Blvd., Suite 122, Oklahoma City, Oklahoma 73105. Each institution in the System is governed by a Board of Regents. The Boards of Regents consist of five to ten members appointed by the Governor, with the advice and consent of the Senate. The state can impose its will on each institution by its ability to modify and approve their budget. The colleges and universities are funded through state appropriations, tuition, federal grants, and private donations and grants. Also included in the Higher Education Component Unit are the following entities:

- **Oklahoma State Regents for Higher Education** serves as the coordinating board of control for the System. The Board of Regents for Higher Education consists of nine members appointed by the Governor, with the advice and consent of the Senate. The state can impose its will on the State Regents for Higher Education by its ability to modify and approve their budget.
- **Regional University System of Oklahoma** has legislative powers and duties to manage, supervise, and control operation of the six regional state universities which are the University of Central Oklahoma, East Central University, Northeastern State University, Northwestern Oklahoma State University, Southeastern Oklahoma State University, and Southwestern Oklahoma State University. The Board consists of the State Superintendent of Public Instruction and eight members appointed by the Governor, with the advice and consent of the Senate. The state can impose its will on the Board of Regents by its ability to modify and approve their budget. Each of the six regional state universities has one or more foundations that are component units of their respective university and are included in the Higher Education Component Unit.

- **University Center of Southern Oklahoma (formerly known as Ardmore Higher Education Program)** was established to make higher education available to those persons who might otherwise not be able to attend an institution of higher learning. Students enrolled in the Center earn credit applicable toward academic degrees and certificates at participating institutions in the System. Participating Institutions are: East Central University, Murray State University, and Southeastern Oklahoma State University. The Center is administered by a Board of Trustees appointed by the Governor, with the advice and consent of the Senate. The state can impose its will on the Center by its ability to modify and approve their budget.
- **Rose State College Technical Area Education District, South Oklahoma City Area School District, and Tulsa Community College Area School District #18** were created to provide postsecondary vocational, technical, and adult education programs for persons within their defined geographical boundaries. The primary source of operating funds is ad valorem taxes assessed against real property located in their districts. The Districts are component units of Rose State College, Oklahoma City Community College, and Tulsa Community College, respectively.
- **University Center at Ponca City** was established to make educational program resources in the Oklahoma State System of Higher Education available to the citizens in Northern Oklahoma and the Ponca City community. The Center is administered by a Board of Trustees consisting of nine members appointed by the Governor with the advice and consent of the Senate. The state can impose its will on the Center by its ability to modify and approve their budget.

### NONMAJOR COMPONENT UNITS

**Oklahoma Educational Television Authority (OETA)** was created to “make educational television services available to all Oklahoma citizens on a coordinated statewide basis.” The Board of Directors is comprised of thirteen members, seven of which are appointed by the Governor, with the advice and consent of the Senate. A financial benefit/burden relationship exists between the state and OETA. OETA also has a non-profit foundation that was established to receive private donations and contributions for the benefit of OETA. This foundation qualifies as a component unit of OETA, and is combined with OETA. OETA was audited by other independent auditors for the year ended June 30, 2014, and their report, dated October 20, 2014, has been previously issued under separate cover.

**Oklahoma Industrial Finance Authority** assists with the state's industrial development by making loans to authorized industrial development agencies or trusts and new or expanding industries within Oklahoma. These loans are secured by first or second mortgages on real estate and equipment. The Authority's loans are financed by issuance of general obligation bonds. The Board of Directors is comprised of seven members appointed by the Governor, with the advice and consent of the Senate. The state can impose its will on the Authority by its ability to veto or modify the Authority's decisions. The Authority was audited by other independent auditors for the year ended June 30, 2014, and their report, dated October 15, 2014, has been previously issued under separate cover.

**Health Insurance High Risk Pool (HIHRP)** provides health insurance to Oklahomans who are unable to obtain coverage from independent insurers. HIHRP is financed by assessments levied on independent insurers. The Board consists of nine members appointed by the Insurance Commissioner. The state can impose its will on HIHRP by its ability to modify the decisions of the Board. HIHRP was audited by other independent auditors for the year ended June 30, 2014, and their report, dated October 23, 2014, has been previously issued under separate cover.

**Multiple Injury Trust Fund** provides benefits to a worker with a pre-existing disability who suffers a second on-the-job injury. The state can impose its will on the Fund by its ability to remove management (appointees) at will. The Fund was audited by other independent auditors for the period ended December 31, 2013, and their report, dated June 9, 2014, has been previously issued under separate cover.

**University Hospitals Authority** consists of The University Hospital and Children's Hospital of Oklahoma, and their related clinics and other services. The Authority is affiliated with the University of Oklahoma Health Sciences Center whose medical school residents and staff provide patient care, in-service education, and certain administrative duties for the benefit of the Authority. The Authority is governed by a six-member board consisting of appointees of the Governor, Speaker of the House of Representatives, and the

President Pro Tempore of the Senate, and officials from the State Medicaid Program, the University of Oklahoma Health Sciences Center and the Authority. A financial benefit/burden relationship exists between the state and the Authority. The Authority was audited by other independent auditors for the year ended June 30, 2014, and their report, dated October 1, 2014, has been previously issued under separate cover.

**Oklahoma Development Finance Authority** provides financing for both public and private entities in the state. The Authority obtains funds through the issuance of bonds and notes. Private entities qualifying for financing are generally agricultural, civic, educational, health care, industrial, or manufacturing enterprises. Financing is also provided to governmental agencies and instrumentalities of the state. The Governing Board, appointed by the Governor, with the advice and consent of the Senate, is comprised of seven members: one person selected from each of the six Congressional Districts of the state as they existed in 1960 and the Director of the Department of Commerce. The state can impose its will on the Authority by its ability to veto or modify the Authority's decisions. The Authority was audited by other independent auditors for the year ended June 30, 2014, and their report, dated October 21, 2014, has been previously issued under separate cover.

**Oklahoma Capital Investment Board** assists the state with industrial development by mobilizing equity and near-equity capital making investments for the potential creation of jobs and growth that will diversify and stabilize the economy. The Board of Directors is comprised of five members appointed by the Governor, with the advice and consent of the Senate. The state can impose its will on the Board by its ability to veto or modify the Board's decisions. The Board, in order to mobilize investments, owns the Oklahoma Capital Formation Company LLC (OCFC), a formerly independent corporation. During fiscal year 2006, the Board purchased 100% of the ownership of the OCFC. In fiscal year 2007 OCFC changed its corporate structure and name from a corporation to an Oklahoma limited liability company (LLC). Operations of the OCFC are included in the financial results of the Board. The Board was audited by other independent auditors for the year ended June 30, 2014, and their report, dated September 19, 2014, has been previously issued under separate cover.

**Oklahoma State University Medical Authority** is affiliated with the Oklahoma State University Center for Health Sciences to provide funding, teaching and training for graduate medical students. It also serves as a site for conducting medical research by faculty and providing patient care. The board is governed by seven members which consists of the following: a member appointed by the Governor, with the advice and consent of the Senate, a member appointed by the President Pro Tempore of the Senate, a member appointed by the Speaker of the House of Representatives, the CEO of the Oklahoma Health Care Authority, or his or her designee, the President of the OSU Center for Health Sciences, CEO of the Oklahoma State University Medical Authority and an appointee of the President of Oklahoma State University. A financial benefit/burden exists between the Authority and the state. The Authority was audited by other independent auditors for the year ended June 30, 2014, and their report, dated December 2, 2014, has been issued under separate cover. In October 2013, Oklahoma State University Medical Trust, Oklahoma State University Medical Center Trust, and the Authority entered into a Tripartite Agreement and Plan of Merger. Under the terms of the merger agreement the Oklahoma State University Medical Center Trust merged with the Oklahoma State University Medical Trust. Oklahoma State University Medical Trust the surviving entity is deemed to be a component unit of the Authority due to the common governance.

## **FIDUCIARY COMPONENT UNITS**

Six Public Employee Retirement Systems (PERS) administer pension funds for the state and its political subdivisions. The six PERS are subject to state legislative and executive controls and the administrative expenses are subject to legislative budget controls. These legally separate component units, while meeting the definition of a component unit, are presented in the fund financial statements along with other primary government fiduciary funds of the state. They have been omitted from the Government-Wide Financial Statements.

Separately issued independent audit reports are available even though they are excluded from the Government-Wide Financial Statements. They may be obtained from the Office of Management and Enterprise Services, 2300 North Lincoln Blvd., Suite 122, Oklahoma City, Oklahoma 73105, or the respective fiduciary component units at the addresses presented on the description page of the Combining Financial Statement section of this report.



**Oklahoma Firefighters Pension and Retirement System** provides retirement benefits for municipal firefighters. The System is administered by a board comprised of thirteen members: The President of the Professional Fire Fighters of Oklahoma, the President of the Oklahoma State Retired Fire Fighters Association, the State Insurance Commissioner, and the Director of State Finance (or their designees), the five members of the Board of Trustees of the Oklahoma Firefighters Association, and appointees by the Speaker of the House of Representatives, the President Pro Tempore of the Senate, and the President of the Oklahoma Municipal League. The System was audited by other independent auditors for the year ended June 30, 2014, and their report, dated October 9, 2014, has been previously issued under separate cover.

**Oklahoma Law Enforcement Retirement System** provides retirement benefits for qualified law enforcement officers. The System is administered by a board comprised of thirteen members: The Assistant Commissioner of Public Safety, the Director of State Finance (or his designee), members of the Department of Public Safety, the Oklahoma State Bureau of Investigation, the Oklahoma State Bureau of Narcotics and Dangerous Drugs Control, and the Alcoholic Beverage Laws Enforcement Commission, and appointees by the Governor, the Speaker of the House of Representatives, and the President Pro Tempore of the Senate. The System was audited by other independent auditors for the year ended June 30, 2014, and their report, dated October 14, 2014, has been previously issued under separate cover.

**Oklahoma Public Employees Retirement System** administers the Oklahoma Public Employee Retirement Plan which provides retirement benefits for state, county and local employees. The board is comprised of thirteen members: the State Insurance Commissioner and the Director of the Office of Management and Enterprise Services (or their designees), a member of the Corporation Commission selected by the Corporation Commission, the Director of Human Capital Management of the Office of Management and Enterprise Services, a member of the Oklahoma Tax Commission selected by the Tax Commission, three appointees by the Governor, one member appointed by the Supreme Court, two members appointed by the Speaker of the House of Representatives, and two members appointed by the President Pro Tempore of the Senate. The System was audited by other independent auditors for the year ended June 30, 2014, and their report, dated October 22, 2014, has been previously issued under separate cover.

**Uniform Retirement System for Justices and Judges** is administered by the Oklahoma Public Employee Retirement System and provides retirement benefits for justices and judges. The Board of Trustees is comprised of thirteen members: a member of the Corporation Commission selected by the Commission, a member of the Tax Commission as selected by the Tax Commission, the Administrator of the Office of Personnel Management or designee, the State Insurance Commissioner or designee, and the Director of State Finance or designee. Of the remaining members, three are appointed by the Governor, one is appointed by the Supreme Court, two are appointed by the Speaker of the House of Representatives and two are appointed by the President Pro Tempore of the Senate. The System was audited by other independent auditors for the year ended June 30, 2014, and their report, dated October 22, 2014, has been previously issued under separate cover.

**Oklahoma Police Pension and Retirement System** provides retirement benefits for police officers employed by participating municipalities. The System is administered by a Board comprised of thirteen members: Seven members elected from the seven Districts, the State Insurance Commissioner and the Director of the Office of Management and Enterprise Services (or their designees), and appointees by the Governor, the Speaker of the House of Representatives, the President Pro Tempore of the Senate, and the Oklahoma Municipal League. The System was audited by other independent auditors for the year ended June 30, 2014, and their report, dated September 15, 2014, has been previously issued under separate cover.

**Teachers' Retirement System of Oklahoma** provides retirement allowances and benefits for qualified persons employed by state-supported educational institutions. The System is administered by a board consisting of 13 members appointed by the Governor, with the advice and consent of the Senate, the President Pro Tempore of the Senate, and the Speaker of the House of Representatives. The System was audited by other independent auditors for the year ended June 30, 2014, and their report, dated November 10, 2014, has been previously issued under separate cover.

## **Related Organizations and Related Parties**

Organizations, for which a primary government is accountable because the state appoints a voting majority of the board, but is not financially accountable, are considered to be related organizations. The Oklahoma Ordinance Works Authority (OOWA) is a related organization of the state. The state appoints a voting majority of the Trustees of OOWA but has no further accountability.

### **B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (the statement of net position and the statement of activities) report information for all of the non-fiduciary activities of the Primary Government and its Component Units. For the most part, the effect of interfund activity has been removed from these government-wide statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the Primary Government is reported separately from the legally separate Component Units for which the Primary Government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment, or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a given function, segment, or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Taxes and other items not properly included among program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenues rather than as program revenues. The state does not allocate government administration (indirect) expenses to other functions.

Net position is restricted when constraints placed on it is either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally it is the state's policy to use restricted resources first, then unrestricted resources as they are needed.

Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds and similar component units, and major component units. However, the fiduciary funds are not included in the government-wide statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

**Government-Wide Financial Statements** – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Governmental Fund Financial Statements** – The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the state considers revenues to be available if they are collected within sixty days of the end of the current fiscal year end. Principal revenue sources considered susceptible to accrual include federal grants, interest on investments, sales and income taxes, and lease payments receivable. Some revenue items that are considered measurable and available to finance operations during the year from an accounting perspective are not available for expenditure due to the state's present appropriation system. These revenues have been accrued in accordance with GAAP since they have been earned and are expected to be collected within sixty days of the end of the period. Other revenues are considered to be measurable and available only when cash is received by the state.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Modifications to the accrual basis of accounting include:

- Employees' vested annual leave is recorded as an expenditure as it is utilized. Unused reimbursable leave following an employee's resignation or retirement that is unpaid at year end is recognized as an expenditure and a liability of the fund.
- Interest on general long-term obligations is recognized when paid.
- Executory purchase orders and contracts are recorded as a commitment of fund balance.
- Debt service expenditures and claims and judgments are recorded only when payment is due.

#### **Proprietary Funds, Fiduciary Funds and Similar Component Units, and Component Units Financial Statements –**

The financial statements of the proprietary funds, fiduciary funds and similar component units, and component units are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above.

Each proprietary fund has the option under Governmental Accounting Standards Board (GASB), Statement 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting* to elect to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The Primary Government's three enterprise funds have elected to not apply FASBs issued after the applicable date. Each of the proprietary component units have individually made this election as disclosed in their separate audit reports.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenues of the state's enterprise funds are requisitioned from the Oklahoma Unemployment Insurance Trust Fund held by the U.S. Treasury for payment of unemployment benefits, monthly premiums for self-funded insurance benefits provided to statutorily defined state employees by the Employees Group Insurance Division, interest revenue charges for loans made to local entities by the Oklahoma Water Resources Board (OWRB), and the sale of lottery tickets and related chance games by the Lottery Commission. The OWRB reports federal grants as both operating and nonoperating, depending on the types of grants received.

### **D. Fund Accounting**

The financial activities of the state are recorded in individual funds, each of which is deemed to be a separate accounting entity. The state uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The financial activities of the state that are reported in the accompanying financial statements have been classified into the following major governmental and proprietary funds. In addition, a description of the fiduciary and component units follows:

#### **1. Governmental Funds**

**General Fund** - This fund accounts for all activities of the state not specifically required to be accounted for in other Funds. Included are transactions for services such as education, government administration, health services, legal and judiciary, museums, natural resources, public safety and defense, regulatory services, social services, and transportation. Debt service transactions and related cash balances are reported in the General Fund with balances held to service imminent debt activity presented as a component of restricted fund balance.

**Commissioners of the Land Office Permanent Fund** – This fund accounts for the land and cash granted to the state by the United States Congress for the use and benefit of educational systems in Oklahoma. This fund's assets are held by the state and only the income derived from the principal may be expended for designated operations. The principal must be preserved intact.

**Department of Wildlife Conservation Permanent Fund** – This fund accounts for moneys held in trust for the improvement and preservation of wildlife. The moneys have been accumulated from the sale of lifetime hunting and fishing licenses. This fund's assets are held by the state and only the income derived from the principal may be expended for designated operations. The principal must be preserved intact.

**Tobacco Settlement Endowment Permanent Fund** – This fund accounts for certain moneys transferred from the General Fund that were received in settlement of claims by the state against tobacco manufacturers. The earnings from these moneys are to be utilized for research, education, prevention and treatment of tobacco related diseases and certain other health programs. The principal must be preserved intact.

## **2. Proprietary Funds**

These funds account for those activities for which the intent of management is to recover, primarily through user charges, the cost of providing goods or services to the general public, or where sound financial management dictates that periodic determinations of results of operations are appropriate.

**Employees Group Insurance Division of the Office of Management and Enterprise Services** provides group health, life, dental, disability and other benefits to active state employees and local government employees, as well as varying coverages for active education employees and certain participants of the state's retirement systems, survivors, and persons covered by COBRA. Coverages are funded by monthly premiums paid by employers and employees.

**Employment Security Commission Enterprise Fund** - This fund accounts for the deposit of moneys requisitioned from the Unemployment Insurance Trust Fund held by the U.S. Treasury for payment of unemployment benefits and administrative costs.

**Oklahoma Water Resources Board Enterprise Fund** - This fund is comprised of Oklahoma Water Resources Board and the Department of Environmental Quality bond issues and revolving loan programs. These programs make loans to local government units for the acquisition, development, and utilization of storage and control facilities for water and sewage systems.

**Oklahoma Lottery Commission Enterprise Fund** – This fund operates the state-wide lottery program and related chance games, seeking to generate additional revenues for the benefit of the state's educational system.

## **3. Fiduciary Funds and Similar Component Units**

The state presents as fiduciary funds those activities that account for assets held in a trustee capacity or as an agent for individuals, private organizations or other governmental units.

**Pension Trust Funds** - These Funds account for the transactions, assets, liabilities, and net position of the Wildlife Conservation Retirement Plan in the Primary Government, and six Public Employee Retirement Systems (PERS) that meet the definition of a component unit of the state.

**Agency Funds** - These Funds account for the assets held for distribution by the state as an agent for other governmental units, other organizations or individuals.

## **4. Component Units**

These entities are legally separate from the state but are considered part of the reporting entity. These Funds meet the definition of both a component unit and that of an enterprise fund as previously described. The six Public Employee Retirement Systems (PERS) meet the definition of a component unit, but are presented with the other fiduciary funds of the state.

## **5. Financial Statement Reporting Periods**

The accompanying financial statements of the state are presented as of June 30, 2014, and for the year then ended, except for the following funds and entities which were audited by other independent auditors.

CompSource Oklahoma	12-31-13
Multiple Injury Trust Fund	12-31-13
Employees Group Insurance Division	12-31-13
Oklahoma Turnpike Authority	12-31-13
Grand River Dam Authority	12-31-13

## **E. Budgeting and Budgetary Control**

The state's annual budget is prepared on the cash basis utilizing encumbrance accounting. Encumbrances represent executed but unperformed purchase orders. In the accompanying financial statements, encumbrances are recorded as expenditures for budgetary purposes if expected to be presented for payment by November 15 following the end of the fiscal year and as a component of either restricted or committed fund balance for GAAP purposes. Since the budgetary basis differs from GAAP, budget and actual amounts in the accompanying Required Supplementary Information – Budgetary Schedules are presented on the budgetary basis. A reconciliation of revenues in excess of (less than) expenditures and other financing sources (uses) on a budgetary basis at June 30, 2014 to revenues in excess of (less than) expenditures and other financing sources (uses) presented in conformity with GAAP is set forth in the Notes to Required Supplementary Information.

The Governor prepares and submits to the Legislature at the beginning of each annual legislative session a balanced budget based on budget requests prepared by the various state agencies. The General Fund is the only Fund for which an annual budget is legally adopted. Budgeted expenditures cannot exceed the amount available for appropriation as certified by the State Board of Equalization. The Legislature may modify the Governor's proposed budget as it deems necessary and legally enacts an annual state budget through the passage of appropriation bills. The Governor has the power to approve or veto each line item appropriation.

The legal level of budgetary control is maintained at the line item level (i.e., General Operations, Duties, etc.) identified in the appropriation acts. Budgets may be modified subject to statutory limits on transfers. The Director of State Finance can approve transfers of up to 25% between line items. The Contingency Review Board (a three-member board comprised of the Governor, the President Pro Tempore of the Senate, and the Speaker of the House of Representatives) can approve transfers between line items of up to 40%. All transfers are subject to review by the Joint Legislative Committee on Budget and Program Oversight to determine if the transfer tends to effectuate or subvert the intention and objectives of the Legislature.

Current policy allows agencies to use unexpended moneys for one-time purchases or non-recurring expenditures in the next fiscal year. This policy provides an incentive for agency managers to distribute resources efficiently; however, it is subject to annual approval by the Legislature. Unexpended balances not carried forward to the new fiscal year by November 15 may: 1) lapse to unrestricted balances and be available for future appropriation, 2) lapse to restricted balances and be available for future appropriations restricted for specific purposes as defined by statute, or 3) be non-fiscal, and may be spent from one to thirty months from the date of appropriation.

If funding sources are not sufficient to cover appropriations, the Director of State Finance is required to reduce the budget by the amount of such deficiency. Any other changes to the budget must be approved by the Legislature in a supplemental appropriation. All fiscal year 2014 appropriated line items were within their authorized spending level.

## **F. Cash and Cash Equivalents**

The state uses a pooled cash concept in maintaining its bank accounts. All cash is pooled for operating and investment purposes and each fund has relative equity in the pooled amount. For reporting purposes, cash and related time deposits have been allocated to each fund based on its equity in the pooled amount. Interest earned on investments is allocated to the General Fund except for those investments made specifically for the proprietary fund type, fiduciary fund type, proprietary component units, and higher education component unit, for each of which investment revenue is allocated to the investing fund.

The State Treasurer requires that financial institutions deposit collateral securities to secure the deposits of the state in each such institution. The State Treasurer also promulgates all rules and regulations regarding the amount of collateral securities that must be pledged to secure public deposits.

The Oklahoma Employment Security Commission Trust Fund is maintained to account for the collection of unemployment contributions from employers and the payment of unemployment benefits to eligible claimants. As

required by Federal Law, all resources not necessary for current benefit payments are placed on deposit with the U.S. Treasury. Interest from these resources is retained in the Fund.

For purposes of reporting cash flows, cash equivalents are defined as short-term, highly liquid investments with a maturity of three months or less that are readily convertible to cash.

## **G. Investments**

Investments, which may be restricted by law or legal instruments, are under control of either the State Treasurer or other administrative bodies as determined by law.

Investments are generally stated at fair value in accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

## **H. Receivables**

Accounts receivable in all funds report amounts that have arisen in the ordinary course of business and are stated net of allowances for uncollectible amounts.

Governmental fund type receivables consist primarily of amounts due from the Federal government. Interest and investment revenue receivable in all funds consist of revenues due on each investment. Taxes receivable in governmental funds represent taxes subject to accrual, primarily income taxes and sales taxes, which are collected within sixty days after year end. Lease payments receivable in the General Fund consists primarily of capital lease payments due for equipment and railroad lines owned by the Department of Transportation. Collectability of these lease payments is reasonably assured and no allowance for uncollectible amounts has been established.

Taxes receivable in enterprise funds represents unemployment taxes due at year end, net of an allowance for uncollectible amounts. The uncollectible amounts are based on collection experience and a review of the status of existing receivables.

## **I. Inter/Intrafund Transactions**

**Interfund Transactions** - The state has two types of interfund transactions:

- Services rendered transactions are accounted for as revenues and expenditures or expenses in the funds involved.
- Operating appropriations/subsidies are accounted for as transfers in the funds involved.

**Intrafund Transactions** - Intrafund transfers, as a result of contracts among departments and/or agencies within the same fund, are considered expenditures by the contractor and revenues by the contractee for budgetary purposes. The Required Supplementary Information – Budgetary Schedules includes these transactions. However, as a general rule recorded intrafund revenues and expenditures have been eliminated in the GAAP-basis Government-Wide Financial Statements. A portion of motor fuel excise taxes collected on fuels consumed on the state's turnpikes is made available to the Oklahoma Turnpike Authority (OTA) from the Oklahoma Tax Commission. These taxes are apportioned to OTA monthly to fund debt service, but only to the extent amounts are not otherwise available to OTA. If the motor fuel excise taxes apportioned to OTA are not needed in the month of apportionment, the taxes are transferred to the Department of Transportation (DOT). Before these monthly transfers were mandated, a balance owed to DOT had accumulated and at year end this balance is presented as a noncurrent Due to Other Funds on the financial statements of OTA.

## **J. Inventories and Prepaid Expenses**

Inventories of materials and supplies are determined both by physical counts and through perpetual inventory systems. Generally, inventories are valued at cost and predominantly on either the first-in first-out or weighted average basis. Inventories of federal surplus properties are valued at a percentage of federal acquisition cost. General Fund inventories are recorded as expenditures when consumed rather than when purchased by recording adjustments to the inventory account on the balance sheet. The General Fund inventories on hand at year-end are reflected as a component of nonspendable fund balance on the balance sheet, except for \$487,000 in food commodities which is recorded as inventory and deferred revenue. Upon distribution, the food commodities are recognized as revenues and expenditures of the General Fund.

The value of the inventory of food commodities in the General Fund is calculated by using a weighted average cost based on the U.S. Department of Agriculture commodity price list at the inventory receipt date. The value of the inventory of food stamps in the General Fund is valued at coupon value.

Higher education component unit inventories are stated at the lower of cost or market, with cost being determined on either the first-in first-out or average cost basis.

Prepaid expenses are recorded using the "purchases method," meaning that they are initially recorded as expenditures. At fiscal year-end, significant amounts of prepaid expenditures are shown as a component of nonspendable fund balance, indicating they do not constitute available expendable resources.

## **K. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (which are normally immovable and of value only to the state, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items), are reported in the applicable governmental or business-type activities columns in the Government-Wide Financial Statements. Capital assets are defined by the state as assets which have a cost of \$25,000 or more at the date of acquisition and have an expected useful life of five or more years. Purchased and constructed capital assets are valued at historical cost or estimated historical cost. Donated capital assets are recorded at their fair market value at the date of donation.

The estimates of historical costs of buildings and other improvements were based on appraised value, as of August 4, 1994, indexed to the date of acquisition. Infrastructure constructed prior to July 1, 2000 has been recorded at estimated historical cost. The estimated historical cost for years 1916-2000 was based on capital outlay expenditures reported by DOT and the Federal Highway Administration, less an amount estimated for the historical cost of the acquisition of land for right-of-way. The costs of normal maintenance and repairs that do not add to the asset's value or materially extend an asset's useful life are not capitalized. Interest incurred during construction of capital facilities is not capitalized.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements, as well as the proprietary funds and component unit's financial statements.

Capital assets of the Primary Government and the component units are depreciated on the straight-line method over the assets' estimated useful life. There is no depreciation recorded for land and construction in progress. Generally, estimated useful lives are as follows:

Machinery and Equipment	3 - 20 years
Buildings and Other Improvements	7 - 60 years
Infrastructure	30 years

Collections and works of art are not included in capital assets of the Primary Government on the Statement of Net Position. GASB Statement No. 34 does not require capitalization of collections if they meet all of the following criteria; held for public exhibition, education, or research in furtherance of service, rather than financial gain; protected, kept unencumbered, cared for, and preserved; and subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections. The state elected not to capitalize collections and works of art since they meet all of the above conditions.

## **L. Other Assets**

Included in other assets (noncurrent for component units) are costs to be recovered from future revenues. Certain items included in the operating costs of Grand River Dam Authority, an unregulated enterprise, are recovered through rates set by the Board of Directors. Recognition of these costs, primarily depreciation on debt funded capital assets, amortization of debt discount and expense, and amortization of losses on advance refunding of long-term debt, is deferred to the extent that such costs will be included in rates charged in future years. The Oklahoma Municipal Power Authority (OMPA) enters into power sales contracts with participating municipalities that provide for billings to those municipalities for output and services of the projects. Revenues from these contracts provide for payment of current operating and maintenance expenses (excluding depreciation and amortization), as well as payment of scheduled debt principal and interest, and deposits into certain funds as prescribed in the bond resolutions. For financial reporting purposes, OMPA currently recognizes depreciation of assets financed by bond principal and amortization expense. The difference between



current operating expenses and the amounts currently billed under the terms of the power sales contracts are delayed to future periods in which these amounts will be recovered through revenues.

#### **M. Deferred Revenue**

Deferred revenues at the fund level arise when potential revenue does not meet the available criterion for recognition in the current period. Available is defined as due (or past due) at June 30, and collected within sixty days thereafter to pay obligations due at June 30. Deferred revenues also arise when resources are received by the state before it has a legal claim to them. In subsequent periods, when the revenue recognition criterion is met, or when the state has a legal claim to the resources, the deferred inflow for deferred revenue is removed from the combined statement of net position, and revenue is recognized. Deferred revenues at the government-wide level arise only when the state receives resources before it has a legal claim to them. Also included in deferred revenue at both levels are the undistributed food commodity inventories.

#### **N. Compensated Absences**

Employees earn annual vacation leave at the average rate of 10 hours per month for the first 5 years of service, 12 hours per month for service of 5 to 10 years, 13.33 hours per month for service of 10 to 20 years, and 16.67 hours per month for over 20 years of service. Unused annual leave may be accumulated to a maximum of 240 hours for employees with less than 5 years of continuous service or 480 hours for employees with 5 years or more of continuous service. All accrued annual leave is payable upon termination, resignation, retirement, or death. The governmental fund financial statements record expenditures when employees are paid for leave. The government-wide financial statements present the cost of accumulated vacation leave as a liability. The liability is valued based on current rate of pay. There is no liability for unpaid accumulated sick leave since the state does not have a policy to pay this amount when employees separate from service.

#### **O. Risk Management**

The Risk Management Division of the Office of Management and Enterprise Services is responsible for the acquisition and administration of all insurance purchased by the state, or administration of any self-insurance plans and programs adopted for use by the state or for certain organizations and bodies outside of state government, at the sole expense of such organizations and bodies.

The Risk Management Division is authorized to settle claims of the state and oversee the dispensation and/or settlement of claims against a state political subdivision. In no event shall self-insurance coverage exceed the limitations on the maximum dollar amount of liability specified by the Oklahoma Governmental Tort Claims Act. The Risk Management Division oversees the collection of liability claims owed to the state incurred as the result of a loss through the wrongful or negligent act of a private person or other entity.

The Risk Management Division is also charged with the responsibility to immediately notify the Attorney General of any claims against the state presented to the Risk Management Division.

#### **P. Federal Grants**

In addition to monetary transactions, federal grants also include non-monetary transactions for surplus inventory, food stamps, food, and other commodities. Surplus inventory is valued at a percentage of government acquisition cost. Food stamps are valued at coupon value. Commodities are valued at their federally reported value in the General Fund.

#### **Q. Long-Term Obligations**

**Premiums, Discounts and Issuance Costs** – In the government-wide financial statements, long-term debt and other long-term obligations are presented in the columns for governmental and business-type activities. The same is presented in the Proprietary Fund Financial Statements. Bond and note premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt. Bonds and notes payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges in other assets and are amortized over the term of the related debt.

In the governmental fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

**Arbitrage Rebate Liability** – The enterprise funds and component units account for any arbitrage rebate payable as a liability of the fund.

## **R. Governmental Activities**

Per a review of state agencies, it was determined that the activities of the Oklahoma Health Care Authority, Department of Veteran Affairs, and the J.D. McCarty Center were more accurately reflected in the Health Services function of government instead of Social Services. Beginning with the fiscal year ended June 30, 2005, these agencies are reported as a function of Health Services. This will affect the comparability of activities with years prior to 2005.

## **S. Governmental Fund – Fund Balance**

The governmental fund financial statements present fund balance at the aggregate level of detail within the categories defined by GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Refer to Note 12 for further discussion.

## **T. Deficit Fund Balance – Multiple Injury Trust Fund/Oklahoma Capital Investment Board**

The Multiple Injury Trust Fund (MITF), a component unit, continues to operate in a deficit situation. MITF had total net liabilities (negative net position) of \$365,235,000 at December 31, 2013. Legislation was passed in May 2000 providing new funding for MITF through an assessment on gross premiums on workers compensation policies written by insurance carriers and an assessment on disability awards paid by self-insured employers, and further limits future awards against MITF to claimants that timely filed injury claims that occurred before June 1, 2000, against their employer. These claimants have no time limitation for filing against MITF. No new claims related to injuries subsequent to June 1, 2000, can be filed. Funding is to continue until the Board of Managers of the CompSource Oklahoma, pursuant to an independent actuarial audit, has certified that there are sufficient funds to satisfy all outstanding obligations of MITF.

The Oklahoma Capital Investment Board (OCIB), a component unit, operated at a deficit for the fiscal year. In fiscal year 2006 the OCIB purchased 100% of the ownership of the Oklahoma Capital Formation Company LLC (OCFC), a formerly blended entity. This purchase brought on the long-term liabilities of the OCFC, and as a result, puts the OCIB in a negative net asset position. For the fiscal year ended June 30, 2014, the OCIB had negative net position of \$2,583,000. The OCIB takes a long-term approach to economic stimulation, and it is anticipated that a negative net position balance could persist well into the future.

## **U. Pollution Remediation Obligations**

During the fiscal year ended June 30, 2014, it was determined that several agencies incurred expenses of \$3,486,000 for pollution obligations related to hazardous material on highways and asbestos removal, where clean-up is generally required to comply with federal regulations. This type of remediation is generally a control obligation performed as part of current operations during road construction or building renovation. There was also a liability incurred of \$465,136,000 which is included in accounts payable on the government-wide financial statements.

## Note 2. Deposits and Investments

The State Treasurer maintains two investment portfolios. The Treasurer's Portfolio is used to manage the investments of all state moneys that are under the control of the Treasurer where earnings accrue to the General Fund of the state. The State Agency Portfolio is used for the investment of a limited number of state agencies specifically authorized by statute to direct the activities of certain funds and accounts where the earnings accrue to those funds and accounts. Ancillary to the Treasurer's Portfolio is an internal investment pool, OK INVEST, for all State funds and agencies that are considered part of the State of Oklahoma. All cash balances held through the State Treasurer for the Primary Government, Component Units and Fiduciary Funds earn a return through the OK INVEST pool program.

In accordance with statutes, the State Treasurer's investment policy allows for investments in the following categories:

United States Treasury Bills, Notes and Bonds	Collateralized or insured certificates of deposit
United States Government Agency Securities	Negotiable certificates of deposit
Prime Banker's acceptances	Prime commercial paper
Investment grade obligations of state and local governments	Repurchase agreements
Short-term bond funds	Money market funds
Foreign bonds	

The State Treasurer's investment policy attempts to reduce portfolio risk through diversification by security, institution and maturity. With the exception of U.S. Treasury securities, no more than 50% of the state's total funds available for investment will be invested in a single security or with a single financial institution. In addition, the Treasurer's investments will not have an average maturity greater than 4 years unless specifically otherwise designated by the Treasurer. The following table outlines the State Treasurer's diversification limits designed to control various types of risk:

Investment Type	Percentage of Total Invested	Percentage of Total by Issuer	Maturity Limit	Rating
U.S Government Agency Securities	50%	35%	10 Years	AAA
U.S. Government Agency Mortgage Backed Securities	45%	No Limit	7 Years	AAA
Collateralized or Insured Certificates of Deposit	Limit of \$35 Million per financial institution		365 Days	N/A
Negotiable Certificates of Deposit	7.5%	2.5%	180 Days	A-1 & P-1
Bankers Acceptance	7.5%	2.5%	270 Days	A-1 & P-1
Commercial Paper	7.5%	2.5%	180 Days	A-1 & P-1
State and Local Government Obligations	10%	5.0%	30 Years	AAA
Repurchase and Tri-party Repurchase Agreements	30%	10%	14 Days	A-1
Money Market Mutual Funds	30%	10%	1 Day	AAA
Foreign Bonds	2.5%	2.5%	5 Years	A-/A3 or better

The Primary Government's three permanent funds, Commissioners of the Land Office, Department of Wildlife Lifetime Licenses, and the Tobacco Settlement Endowment all have investment goals and horizons that differ from the State Treasurer. Accordingly, the investment policies for the permanent funds allow for broader classes of investments as well as extended dates of maturity.

The Employment Security Commission, Water Resources Board, Office of Management and Enterprise Services-Employees Group Insurance Division (EGID) and Lottery Commission are the four business-type activities within the Primary Government. These agencies generally have investment policies that correlate to the operations and services that they perform. The Employment Security Commission generally will not invest outside of U.S. Government securities and typically maintains deposit balances only. The Water Resources Board, EGID and Lottery Commission all operate with longer investment horizons and as part of normal operations will attempt to match maturities of investments with the approaching maturity of liabilities.

Due to the nature of the internal investment pool, ownership of investments cannot be assigned to individual funds, including the Pension Trust Funds and Component Units. The investment pool also holds securities purchased with cash collateral from securities lending, which are not assigned to individual funds. For these reasons, total investments will not tie to the financial statements for the Primary Government. The following table details the investments held by the Primary Government at June 30, 2014 (expressed in thousands):

Investment Type	Investments - Primary Government			
	Government Administration	Permanent Funds	Business-Type Activities	Total Primary Government
<b>POOLED INVESTMENTS</b>				
US Agency & Treasury	\$ 5,677,032	\$ -	\$ -	\$ 5,677,032
Money Market Mutual Funds	308,496	-	-	308,496
Securities Lending Collateral Pool	-	105,919	-	105,919
Mutual Funds	2,278	-	-	2,278
Certificates of Deposit & Commercial Paper	299,153	-	-	299,153
State & Muni Bond Issues	169,340	-	-	169,340
<b>NON-POOLED INVESTMENTS</b>				
US Agency & Treasury	20,115	450,949	127,547	598,611
Domestic Corporate Bonds	-	784,021	174,590	958,611
Foreign Corporate Bonds	50,000	157,698	-	207,698
Domestic Equities	26,086	1,322,348	128,357	1,476,791
Foreign Equities	-	141,787	-	141,787
Other	-	214,769	35,545	250,314
Money Market Mutual Funds	194	126,451	-	126,645
Guaranteed Investment Contracts	-	-	-	-
Totals	\$ 6,552,694	\$ 3,303,942	\$ 466,039	\$ 10,322,675

### Fiduciary Funds and Similar Component Units

The Fiduciary Funds of the state have investment goals that vary significantly from the Primary Government. Due to the long term nature of these funds, investment options are broader and maturities can be longer than that of the Primary Government. These funds generally have investment policies allowing for investments in stocks, bonds, fixed income securities and other investment securities including commingled, mutual and index funds. Generally policies allow for a portion of investments to be held in securities of foreign companies and countries. Policies also allow for portions of the total portfolio to be held in derivatives and derivative like investments such as U.S. Treasury Strips, collateralized mortgage obligations, convertible securities and variable rate instruments.

### Component Units

The Component Units of the state have varied investment goals based on the demands of their specific enterprise, and commonly have investment policies that allow for broader asset classes and longer maturities than that of the Primary Government. Various finance authorities invest in an attempt to match targeted returns to the maturity of liabilities. The Higher Education Component Unit is comprised of numerous foundations that invest in order to maximize gains for the institutions that they support. These foundations may also hold assets of different classes as part of donor restrictions and covenants. The following table outlines the Component Units' investment holdings at June 30, 2014 (expressed in thousands):

### Investments - Component Units

Investment Type	Total Component Units
US Agency & Treasury	\$ 1,194,599
Domestic Debt Instruments	1,116,670
Foreign Corporate Bonds	67,221
State, Muni and Local Gov't Debt Instruments	11,240
Domestic Equities and Equity Funds	1,369,897
Foreign Equities	241,070
Other	1,904,129
Money Market Mutual Funds	336,890
Guaranteed Investment Contracts	784
	<u>\$ 6,242,500</u>

#### A. Custodial Credit Risk

Custodial Credit Risk is the risk that in the event of the failure of the counterparty, the state will not be able to recover the value of its investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, not registered in the name of the state, or held by the counterparty or its trust department but not in the state's name.

#### Primary Government

The State Treasurer requires that financial institutions deposit collateral securities to secure the deposits of the state in each such institution. The amount of collateral securities to be pledged for the security of public deposits is established by rules promulgated by the State Treasurer. In accordance with the Office of State Treasurer's policies, the collateral securities to be pledged by financial institutions through the State Treasurer's Office are pledged at market value and must be at 110% of value to collateralize the amount on deposit, less any federal insurance coverage. All investments held by the State Treasurer are insured, registered, or held in the name of the State Treasurer.

As of June 30, 2014, the Primary Government's bank balances of deposits are fully insured or collateralized with securities held by an agent of the state in the state's name. In addition to these deposits, the state has approximately \$1,174,085,000 on deposit with the U.S. Government. These funds represent unemployment insurance taxes collected from Oklahoma employers that are held by the U.S. Treasury. The book value of deposits does not materially differ from the bank balance.

#### Fiduciary Funds and Similar Component Units

The Pension Trust Funds, fiduciary component units of the state, have investment policies that do not specifically address custodial credit risk of deposits and investments. However, each Pension Trust Fund utilizes multiple investment managers and limits cash and short-term investments to no more than 5% of each investment manager's portfolio. At June 30, 2014, the Pension Trust Funds had deposits and cash equivalents of \$620,103,000 of which \$35,985,000 were uninsured and uncollateralized.

#### Component Units

Generally, the Component Units of the state have investment policies that do not specifically address or limit custodial credit risk of deposits and investments. All Component Units typically follow the diversification and securitization of deposit policies defined by the State Treasurer in an effort to minimize custodial credit risk.

#### B. Credit Risk

Fixed-income securities are subject to credit risk. Credit quality rating is one method of assessing the debt instrument issuer's ability to meet its obligation. The state, its Fiduciary Funds and Component Units utilize the credit quality ratings issued by Moody's, Standard and Poor's, or Fitch in determining the risk associated with its fixed-income investments. Obligations of the U.S. Government or those explicitly guaranteed by the U.S. Government are not

considered to have credit risk. Certain debt instruments are commingled investments that do not have an applicable credit risk rating. These investments are presented as not rated in the accompanying tables.

### Primary Government

As outlined in an earlier table, the State Treasurer seeks to hold investments with a rating of A or higher as rated by Moody's. Generally, the Permanent Funds and the business-type activities seek to maintain the same or higher rating. The Water Resources Board, which has a high concentration of investments with one issuer, requires that issuer to maintain an average credit rating of AA or higher. Should this issuer's rating fall below AA, it is required to collateralize the guaranteed investments sufficient to maintain an AA rating on the contracts. At June 30, 2014, the Primary Government had the following investments subject to credit risk (expressed in thousands):

#### Credit Risk - Primary Government

Investment Rating Moody's/S&P/Fitch	US Treasury, Agency and Municipal Securities	International Government Securities	US Corporate Debt Instruments	International Debt Instruments	Total
Aaa/AAA/AAA	\$ 547,569	\$ -	\$ 374,102	\$ 10,701	\$ 932,372
Aa/AA/AA	5,758,145	-	23,593	9,987	5,791,725
A/A/A	26,726	2,691	67,547	21,265	118,229
Baa/BBB/BBB	-	3,298	252,312	43,888	299,498
Ba/BB/BB	-	-	135,109	30,766	165,875
B/B/B	440	-	196,635	18,063	215,138
Caa/CCC/CCC	-	1,335	45,873	2,426	49,634
Ca/CC/CC	-	-	1,263	430	1,693
C/C/C	-	-	338	-	338
D/D/D	-	-	18	-	18
Not Rated/Not Applicable	112,103	-	296,962	62,848	471,913
Total	\$ 6,444,983	\$ 7,324	\$ 1,393,752	\$ 200,374	\$ 8,046,433

### Fiduciary Funds and Similar Component Units

The Pension Trust Funds typically hold a significant portion of assets in the form of debt instruments. Each Pension Trust Fund has an investment policy governing their credit risk exposure. Generally, at the time of purchase, investments in domestic fixed-income investments must carry the highest rating either Aaa, (Moody's) or AAA, (S&P, Fitch) as determined by the national rating organizations. International debt instruments must be Baa or BBB at the time of purchase. Overall, each investment policy generally requires that an average credit quality rating of A or higher be maintained for total debt instrument holdings. At June 30, 2014, the Pension Trust Funds had the following credit risk exposure (expressed in thousands):

### Credit Risk - Pension Trust Funds

Investment Rating Moody's/S &P/Fitch	US Treasury, Agency and Municipal Securities	International Government Securities	US Corporate Debt Instruments	International Debt Instruments	Total
Aaa/AAA/AAA	\$ 1,203,691	\$ 25,411	\$ 404,875	\$ -	\$ 1,633,977
Aa/AA/AA	819,505	34,899	229,485	3,307	1,087,196
A/A/A	20,395	63,146	463,670	3,200	550,411
Baa/BBB/BBB	1,218	54,907	805,641	11,540	873,306
Ba/BB/BB	-	16,455	504,316	1,057	521,828
B/B/B	-	5,280	335,711	6,468	347,459
Caa/CCC/CCC	-	126	102,235	3,228	105,589
Ca/CC/CC	-	-	1,169	-	1,169
D/D/D	-	-	4,612	-	4,612
Not Rated/Not Applicable	664,978	32,058	403,460	191,733	1,292,229
Total	\$ 2,709,787	\$ 232,282	\$ 3,255,174	\$ 220,533	\$ 6,417,776

### Component Units

The Component Units usually hold a significant portion of their respective portfolios in debt instruments. Each Component Unit has an investment policy governing credit risk. As a general rule, the Component Units have more liberal investment policies than the Primary Government that allow for greater levels of credit risk regarding debt securities. Foundations within the Higher Education Component Unit also hold a significant portion of their total debt portfolio as either bond funds or money market mutual funds. These debt instruments are generally pooled or commingled investments and are not subject to credit risk disclosures. Investments in U.S. Government securities are not subject to credit risk. At June 30, 2014 the Component Units had the following credit risk exposure (expressed in thousands):

### Credit Risk - Component Units

Investment Rating Moody's/S &P/Fitch	US Treasury, Agency and Municipal Securities	International Government Securities	US Corporate Debt Instruments	International Debt Instruments	Total
Aaa/AAA/AAA	\$ 951,686	\$ -	\$ 283,307	\$ -	\$ 1,234,993
Aa/AA/AA	-	-	85,726	25,454	111,180
A/A/A	-	-	360,376	-	360,376
Baa/BBB/BBB	-	-	341,091	-	341,091
Ba/BB/BB	-	-	-	-	-
B/B/B	-	-	-	-	-
C/C/C	-	-	-	-	-
D/D/D	-	-	45	-	45
Not Rated/Not Applicable	254,153	-	383,799	41,767	679,719
Total	\$ 1,205,839	\$ -	\$ 1,454,344	\$ 67,221	\$ 2,727,404

## C. Concentration of Credit Risk

### Primary Government

The State Treasurer's investment policy seeks to mitigate concentration of credit risk through targeted diversification limits as outlined earlier in this note. With the exception of US Treasury securities, no more than 50% of the state's total funds available for investment will be invested in a single security type or with a single financial institution. The Water Resources Board, a business-type activity of the Primary Government, has no policy limiting amounts that may be invested in one issuer. At June 30, 2014, the Board held no Guaranteed Investment Contracts issued by Transamerica Occidental Life Insurance Co. / Transamerica Life Insurance and Annuity Co.

## D. Interest Rate Risk

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment or deposit. Duration is a measure of a debt instrument's exposure to fair value changes arising from changes in interest rates based on the present value of future cash flows, weighted for those cash flows as a percentage of the investment's full price. Modified duration estimates the sensitivity of a bond's price to interest rate changes. The state, its Fiduciary Funds, and Component Units use either duration, modified duration or weighted average years outstanding as the standard measures for assessing interest rate risk. Generally, the longer the duration or years outstanding, the greater sensitivity an investment has to interest rate risk.

### Primary Government

As outlined in a previous table, the State Treasurer follows an investment policy seeking to keep the average maturity for its entire portfolio to less than four years. The Permanent Funds and the business-type activities of the Primary Government do not have the same liquidity demands as the Treasurer, and as a matter of policy are not as restrictive regarding maturities. At June 30, 2014, the Primary Government had the following investments with maturities (expressed in thousands):

Interest Rate Risk - Primary Government					
Weighted Average Years to Maturity	US Treasury, Agency and Municipal Securities	International Government Instruments	US Corporate Debt Instruments	International Debt Instruments	Total
Less than 1 year Weighted Average to Maturity	\$ 182,584	\$ -	\$ 433,941	\$ -	\$ 616,525
1 - 5 years	3,412,558	-	741,625	64,481	4,218,664
6 - 10 years	2,813,153	7,324	218,186	135,893	3,174,556
10 or more years	36,688	-	-	-	36,688
No Maturity or Not Applicable	-	-	-	-	-
Total	\$ 6,444,983	\$ 7,324	\$ 1,393,752	\$ 200,374	\$ 8,046,433

### Fiduciary Funds and Similar Component Units

The Pension Trust Funds generally do not have a formal investment policy on interest rate risk. However, interest rate risk is generally controlled through diversification of portfolio management styles. Each Pension Trust Fund reviews the performance of each investment manager, and monitors the interest rate risk as part of the performance assessment. At June 30, 2014, the Pension Trust Funds had the following exposure to interest rate risk (expressed in thousands):

Interest Rate Risk - Pension Trust Funds					
Duration or Weighted Average Years	US Treasury, Agency and Municipal Securities	International Government Securities	US Corporate Debt Instruments	International Debt Instruments	Total
Less than 1 year duration	\$ 58,425	\$ 42,510	\$ 227,963	\$ 8,532	\$ 337,430
1 - 5 years	896,617	31,054	1,446,908	10,677	2,385,256
6 - 10 years	1,036,912	77,648	1,028,405	8,892	2,151,857
10 or more years	717,833	81,070	357,225	3,275	1,159,403
No Duration	-	-	194,673	189,157	383,830
Total	\$ 2,709,787	\$ 232,282	\$ 3,255,174	\$ 220,533	\$ 6,417,776

### Component Units

The state's Component Units typically have board approved investment policies designed to manage exposure to fair value losses that arise from interest rate risk. The policies of the various Component Units can differ significantly since each investment policy is designed to match the portfolio objectives for that Component Unit. A substantial portion of the Component Units' holdings in debt instruments is in money market mutual funds and bond mutual funds with demand



maturities which are presented below as not having an applicable maturity. On June 30, 2014, the Component Units had the following interest rate risk exposure (expressed in thousands):

Interest Rate Risk - Component Units					
	US Treasury, Agency and Municipal Securities	International Government Securities	US Corporate Debt Instruments	International Debt Instruments	Total
Weighted Average Years to Maturity					
Less than 1 year Weighted Average to Maturity	\$ 314,189	\$ -	\$ 8,836	\$ -	\$ 323,025
1 - 5 years	568,787	-	958,360	-	1,527,147
6 - 10 years	104,942	-	96,852	25,454	227,248
10 or more years	80,010	-	-	-	80,010
No Maturity or Not Applicable	137,911	-	390,296	41,767	569,974
Total	\$ 1,205,839	\$ -	\$ 1,454,344	\$ 67,221	\$ 2,727,404

## E. Foreign Currency Risk

Foreign Currency Risk is the risk that changes in currency exchange rates will adversely affect the fair value of a deposit or investment. The state, its Fiduciary Funds and Component Units typically make investments in foreign securities to achieve an additional level of diversification within the various portfolios under management. Foreign currencies held as cash and cash equivalents are usually held to limit losses in foreign investments due to fluctuations in currency values.

### Primary Government

The Government Administration is not invested in securities that are exposed to foreign currency risk; however, the Permanent Funds have policies that will typically allow a portion of the total portfolio to be invested in international securities in an effort to improve diversification and total returns. The business-type activity's investing policies do not specifically address foreign investments, and they will typically not hold any international securities. At June 30, 2014, the Primary Government had the following foreign currency risk (expressed in thousands):

### Foreign Currency Risk - Primary Government

Currency	Equities	Debt Instruments	Cash and Equivalents	Total
Australian dollar	\$ 1,859	\$ 594	\$ -	\$ 2,453
Argentine peso	-	110	-	110
Barbados dollar	-	862	-	862
Brazilian real	3,485	4,425	4	7,914
British pound sterling	23,489	5,974	299	29,762
Bermuda dollar	2,170	1,720	-	3,890
Canadian dollar	5,776	2,319	-	8,095
Cayman dollar	-	4,856	-	4,856
Chinese renminbi	1,431	-	-	1,431
Chilean peso	-	1,189	-	1,189
Columbian peso	-	2,022	-	2,022
Croatian kuna	-	208	-	208
Euro	41,031	38,027	511	79,569
Hong Kong dollar	4,575	-	-	4,575
Hungarian forint	-	1,671	-	1,671
Indonesian rupiah	1,478	1,788	-	3,266
Japanese yen	21,745	-	-	21,745
Malaysian ringgit	-	-	18	18
Manx pound	-	212	-	212
Mexican peso	2,683	5,490	182	8,355
Moroccan dirham	-	315	-	315
New Israeli shekel	2,190	-	-	2,190
New Taiwan dollar	2,364	-	-	2,364
New Turkish lira	-	-	25	25
Norwegian krone	5,154	214	-	5,368
Peruvian nuevo sol	-	273	-	273
Philippines peso	-	231	-	231
Polish zloty	-	3,369	-	3,369
Russian ruble	1,525	412	-	1,937
Singapore dollar	2,136	-	-	2,136
South African rand	-	2,007	153	2,160
Swedish krona	1,861	-	-	1,861
Swiss franc	14,452	-	-	14,452
Thai baht	2,450	-	-	2,450
Trinidad and Tobago dollar	-	150	-	150
Turkish lira	-	1,860	-	1,860
Venezuelan bolivar	-	1,335	-	1,335
Totals	\$ 141,854	\$ 81,633	\$ 1,192	\$ 224,679

### Fiduciary Funds and Similar Component Units

The Pension and Other Employee Benefit Trust Funds generally have investment policies regarding limits on the amount of foreign securities that can be held within their respective portfolios. The Trust Funds have a significantly longer time frame for achieving their investment goals, and investments in foreign securities offer an additional level of diversification, as well as provide the opportunity for increased returns. Typically, holdings in foreign currencies are used to limit losses on foreign securities due to currency fluctuations. The Trust Funds had the following foreign currency risk at June 30, 2014 (expressed in thousands):

### Foreign Currency Risk - Pension Trust Funds

Currency	Equities	Debt Instruments	Cash and Equivalents	Total
Australian dollar	\$ 93,694	\$ 12,621	\$ 86	\$ 106,401
Brazilian real	26,209	16,135	8	42,352
British pound sterling	576,641	16,738	618	593,997
Canadian dollar	46,536	289	145	46,970
Chilean peso	245	1,245	-	1,490
Columbia peso	3,250	266	-	3,516
Danish krone	62,141	-	16	62,157
Euro	840,405	55,313	5,899	901,617
Hong Kong dollar	149,954	(1)	371	150,324
Hungarian forint	-	6,527	-	6,527
Indian rupee	-	2,289	-	2,289
Indonesian rupiah	9,847	6,082	71	16,000
Israeli shekel	892	-	-	892
Japanese yen	579,098	(1,522)	573	578,149
Malaysian ringgit	8,483	3,537	-	12,020
Mexican peso	17,035	61,410	-	78,445
New Taiwan dollar	20,567	-	-	20,567
New Turkish lira	5,748	-	29	5,777
New Zealand dollar	5,426	5,820	-	11,246
Norwegian krone	27,266	1,164	-	28,430
Philippines peso	6,623	8,250	-	14,873
Polish zloty	3,489	7,861	-	11,350
Qatari rial	548	-	-	548
Singapore dollar	53,933	271	-	54,204
South African rand	29,492	5,810	-	35,302
South Korean won	52,244	7,609	19	59,872
Swedish krona	80,816	-	-	80,816
Swiss franc	285,670	(2)	-	285,668
Thai baht	7,137	-	-	7,137
Turkish lira	5,511	2,483	74	8,068
UAE dirham	1,555	-	-	1,555
Totals	\$ 3,000,455	\$ 220,195	\$ 7,909	\$ 3,228,559

### Securities Lending Definition

In a securities lending transaction, securities are loaned to approved brokers through a securities lending agreement with a simultaneous agreement to return collateral for the same security in the future.

### Securities Lending Activity – Primary Government

State Statute Title 62, Section 90 authorizes the State Treasurer's Office to participate in securities lending transactions. All securities held by J.P. Morgan, as trustee or custodian, may be lent in the securities lending program unless specifically excluded by the State Treasurer's Office.

During the fiscal year ended June 30, 2014, securities lending agents lent primarily U.S. Government securities. Cash and U.S. Government securities were provided as collateral for the securities lent. Generally, collateral must equal at least

100% of the fair value of the securities loaned. At June 30, 2014, the fair value of the securities on loan was approximately \$0. The underlying collateral for these securities had a fair value of approximately \$0. The remaining collateral represents cash collateral that is invested in U.S. Government securities and is included as an asset on the balance sheet with an offsetting liability for the return of collateral.

At June 30, 2014, there was no credit risk exposure to borrowers because the amounts the Primary Government owes the borrowers exceed the amounts the borrowers owe the Primary Government. Contracts with securities lending agents require them to indemnify the lender if the borrower fails to return the securities or otherwise fails to pay the lender for income while the securities are on loan. There were no losses on security lending transactions, or recoveries from prior period losses, that resulted from the default of a borrower or the lending agent. Because these transactions are terminable at will, their duration generally did not match the duration of the investments made with cash collateral.

The Tobacco Trust Fund, a Permanent Fund of the state, participates in securities lending as defined by its investment policy. During the year, the Tobacco Trust lent U.S. Government securities, corporate debt, and domestic and foreign equities. Collateral was provided as cash for securities lent. Collateral must equal at least 102% of the market value of securities lent unless the principal market for the collateral is outside the United States, in which case a margin of 105% must be maintained. At June 30, 2014, the fair value of securities on loan was \$103,383,000. The collateral for securities lent had a market value of \$105,919,000. The investment made with cash collateral had an average maturity of one day and did not match the duration of the security on loan since the loans are terminable at will. There was no credit risk to borrowers.

### **Securities Lending Activity – Fiduciary Funds and Similar Component Units**

The six Public Employees Retirement Systems (PERS) participate in securities lending transactions as provided by their respective investment policies. During the fiscal year ended June 30, 2014, securities lending agents lent primarily U.S. Government securities, equity securities, and debt securities. Cash, U.S. Government securities, and letters of credit were provided as collateral for the securities lent. Generally, collateral must be provided in the amount of 102% of the fair value of the securities loaned. In certain instances collateral must be provided in the amount of 105% when the principal trading market for the loaned securities is outside the United States. At June 30, 2014, the carrying amount and fair value of securities on loan was approximately \$3,230,509,000. The underlying collateral for these securities had a fair value of approximately \$3,557,176,000. Collateral of securities and letters of credit represented approximately \$247,155,000 of total collateral. Because these securities and letters of credit cannot be sold or pledged unless the borrower defaults, the collateral and related liability are not presented on the balance sheet. The remaining collateral represents cash collateral that is invested in short-term investment pools and is included as an asset on the balance sheet with an offsetting liability for the return of the collateral.

At June 30, 2014, there was no credit risk exposure to borrowers because the amounts the Fiduciary Funds owe the borrowers exceed the amounts the borrowers owe the Fiduciary Funds. Contracts with securities lending agents require them to indemnify the lender if the borrower fails to return the securities or otherwise fails to pay the lender for income while the securities are on loan. There were no losses on security lending transactions, or recoveries from prior period losses, resulting from the default of a borrower or the lending agent. Investment policies do not require the maturities of investments made with cash collateral to match the maturities of securities lent; however, investment policies may establish minimum levels of liquidity to minimize the interest rate risk associated with not matching the maturity of the investments with the loans. Generally, their duration did not match the duration of the investments made with cash collateral.

### **Derivative Investments Definition**

Derivatives are often complex financial arrangements used to manage specific risks or to act as investments. Derivatives can act as hedges to more effectively manage cash flow or act as investments thereby increasing or decreasing exposure to certain types of investments.

### **Derivative Investments –Primary Government**

Certain state agencies utilize derivative investments as tools to efficiently and effectively manage domestic, international and fixed income investments within their respective portfolios. The notional amount, financial statement classification and fair value balance of derivatives outstanding at June 30, 2014 and the change in fair value of such derivatives for the year then ended are as follows (expressed in thousands):

Permanent Fund	Derivative Instrument	Notional Amount	Fair Value		Change in Fair Value	
			Classification	Amount	Classification	Amount
Tobacco Settlement Trust	Foreign Currency Forward Contracts	\$ (12,393)	Net Receivable	\$ 181	Investment Income	\$ (1,629)

### Derivative Investments – Fiduciary Funds and Similar Component Units

Several of the state's Public Employees Retirement Systems (PERS) utilize derivative investments as tools to efficiently and effectively manage domestic, international and fixed income investments within their respective portfolios. The notional amount, financial statement classification and fair value balance of derivatives outstanding at June 30, 2014 and the change in fair value of such derivatives for the year then ended are as follows (expressed in thousands):

Pension System	Derivative Instrument	Notional Amount	Fair Value		Change in Fair Value	
			Classification	Amount	Classification	Amount
Firefighters Pension and Retirement System (OFPRS)	Foreign Currency Forward Contracts	\$ 65,438	Net Payable	\$ (217)	Investment Income	\$ (3,126)
Teachers' Retirement System (TRS)	Foreign Currency Forward Contracts	12,835,664	Investment	(1,207)	Investment Income	(1,074)

The OFPRS system uses foreign currency forward contracts primarily to hedge foreign currency exposure. The receivable is net of gross receivables of \$197,000 and liabilities of \$414,000. The gross receivables are supported by collateral in investments valued at \$143,000 with a credit risk ratings of A by S&P and A2 by Moody's. The foreign currency forward contracts for the TRS subject the System to foreign currency risk because the investments are denominated in foreign currencies. The fair value of foreign currency forward contracts was determined by market rates for exchanging dollars against the contracted currencies.

### Derivative Investments- Component Units

The Component Units of the state have varied investment goals based on the demands of their specific operations and commonly have investment policies allowing for greater investment diversity and risk. Certain component units and foundations with the Higher Education Component Unit will utilize derivative investments on occasion to secure specific returns matched to maturing liabilities to mitigate overall portfolio risk.

## Note 3. Accounts Receivable

Receivable balances have been disaggregated by type and presented separately in the financial statements. Only receivables with allowances for uncollectible accounts as of June 30, 2014, including the applicable allowances for uncollectible accounts, are presented below (expressed in thousands):

	General Fund	Proprietary Fund	Component Units	
	Accounts Receivable	Taxes Receivable	Accounts Receivable	Notes Receivable
Gross Receivables	\$ 113,042	\$ 168,632	\$ 756,419	\$ 676,470
Less: Allowance for Uncollectibles	(64,300)	(61,394)	(235,007)	(11,870)
Net Receivables	<u>\$ 48,742</u>	<u>\$ 107,238</u>	<u>\$ 521,412</u>	<u>\$ 664,600</u>

## Note 4. Interfund Accounts and Transfers

### A. Due from Other Funds/Due to Other Funds

A summary of interfund obligations at June 30, 2014, is shown below (expressed in thousands):

	Due From Other Funds					Due To Other Funds				
	General Fund	Permanent Funds	Enterprise Funds	Due From Fiduciary Funds		General Fund	Wildlife Permanent Funds	Enterprise Funds	Due To Fiduciary Funds	Due To Component Units
<b>Governmental Funds</b>										
General Fund	\$ -	\$ 34	\$ 17,500	\$ 17	\$ 53,782	\$ 0	\$ 116	\$ 89	\$ 34,988	\$ 40,992
Wildlife Permanent Fund	116	-	-	-	-	-	-	-	-	-
Tobacco Permanent Fund	-	-	-	-	-	34	-	-	-	-
<b>Total Governmental Funds</b>	<b>\$ 116</b>	<b>\$ 34</b>	<b>\$ 17,500</b>	<b>\$ 17</b>	<b>\$ 53,782</b>	<b>\$ 34</b>	<b>\$ 116</b>	<b>\$ 89</b>	<b>\$ 34,988</b>	<b>\$ 40,992</b>
<b>Enterprise Funds</b>										
Office of Management and Enterprise Services	\$ 51	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Oklahoma Water Resources Board	-	-	-	-	-	364	-	-	-	-
Oklahoma Lottery Commission	-	-	-	-	-	17,136	-	-	-	-
<b>Total Enterprise Funds</b>	<b>\$ 51</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 17,500</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fiduciary Funds</b>										
Pension Trust Funds:										
Firefighters Pension and Retirement System	\$ 16,876	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Oklahoma Law Enforcement Retirement System	2,344	-	-	-	-	-	-	-	-	-
Oklahoma Public Employees Retirement System	9,233	-	-	-	-	2	-	-	-	-
Judges and Justices Retirement System	562	-	-	-	-	-	-	-	-	-
Oklahoma Police Pension and Retirement System	6,563	-	-	-	-	-	-	-	-	-
Teachers' Retirement System of Oklahoma	0	-	-	-	-	15	-	-	-	-
Agency Funds:										
<b>Total Fiduciary Funds</b>	<b>\$ 35,578</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 17</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
	Due From Primary Government					Due To Primary Government				
	General Fund	Permanent Funds	Enterprise Funds	Due From Fiduciary Funds	Due From Other Component Units	General Fund	Permanent Funds	Enterprise Funds	Due To Fiduciary Funds	Due To Other Component Units
<b>Major Component Units:</b>										
CompSource Oklahoma	16,085	-	-	-	19,129	1	-	-	-	614
Oklahoma Turnpike Authority	5,472	-	-	-	-	52,700	-	-	-	40
Grand River Dam Authority	30	-	-	-	1,399	78	-	-	590	134
Oklahoma Municipal Power Authority	-	-	-	-	-	-	-	-	-	1,716
Higher Education	11,681	-	-	-	854	1,026	-	-	-	450
<b>Nonmajor Component Units:</b>										
Oklahoma Education Television Authority	-	-	-	-	-	4	-	-	-	-
Multiple Injury Trust Fund	12,862	-	-	-	-	-	-	-	-	18,938
University Hospitals Authority	23	-	-	-	245	-	-	-	-	219
Oklahoma Development Finance Authority	29	-	-	-	165	-	-	-	-	-
<b>Total Component Units</b>	<b>\$ 46,182</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 21,792</b>	<b>\$ 53,809</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 590</b>	<b>\$ 22,111</b>

A reconciliation of interfund receivables and interfund payables at June 30, 2014 follows. Timing differences occur between agencies with a June 30 year end and the component units with September 30 or December 31 year ends.

<b>Total Due From Other Funds:</b>		<b>Total Due To Other Funds:</b>	
Wildlife Lifetime Licenses	116	General Fund	\$ 0
Enterprise Funds	51	Tobacco Settlement Endowment	34
Fiduciary Funds	35,578	Enterprise Funds	17,500
Component Unit Funds	46,182	Fiduciary Funds	17
General Fund Due From Permanent Funds	34	Component Unit Funds	53,809
		General Fund Due To Permanent Funds	116
Due From Enterprise Funds		Due To Enterprise Funds	
General Fund	17,500	General Fund	89
Due From Fiduciary Funds		Due To Fiduciary Funds	
General Fund	17	General Fund	34,988
Due From Component Units		Component Unit Funds	590
General Fund	53,782	Due From Component Units	
Other Component Unit Funds	21,792	General Fund	40,992
<b>Total Interfund Receivables per Financial Statements</b>	<b>\$ 175,052</b>	Permanent Funds	-
		Proprietary Funds	-
		Fiduciary	-
		Component Unit Funds	22,111
		<b>Total Interfund Payables per Financial Statements</b>	<b>170,246</b>
		Timing Differences, Fiscal Year Ending	
		December 31, 2013: Component Units	4,806
		<b>Total Interfund Payables</b>	<b>\$ 175,052</b>

The General Fund Due From Other Funds includes \$52,631,000 from Oklahoma Turnpike Authority (OTA) (\$52,658,000 at December 31, 2013) for a portion of motor fuel excise taxes collected on fuels consumed on turnpikes. The balance accumulates and is payable when certain OTA revenue bonds payable have been paid in full. The Wildlife Lifetime

Licenses Permanent Fund is due \$116,000 from the General Fund for legislative mandated transfer of earnings on certain funds.

Remaining interfund balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded, and payment between funds are made.

## B. Notes Payable and Capital Leases

The Multiple Injury Trust Fund (MITF) component unit reports a note payable to CompSource Oklahoma component unit of \$18,612,000, as permitted by statute. Included in this note payable is a \$6,000,000 advance on a line of credit not to exceed \$11,300,000. The remaining \$5,300,000 has not been advanced. The note and line of credit bear interest at a 7% rate and are payable over 30 years in quarterly installments. The note and line of credit are collateralized by MITF revenues and any equity or other interests available to MITF.

The Higher Education (HE) component unit has entered into capital lease agreements with the General Fund's Oklahoma Capital Improvement Authority (OCIA) to lease various facilities, equipment and improvements. The capital lease outstanding balances are \$553,366,000.

## C. Interfund Transfers

A summary of interfund transfers for the fiscal year ended June 30, 2014, follows (expressed in thousands):

Transfers From (Out)		Transfers To (In)	For (Purpose)	Amount
<b>Governmental Funds:</b>				
General Fund		Oklahoma Water Resources Board	Payment for administrative costs	50
			Total transfers out of the General Fund	50
<b>Proprietary Funds:</b>				
Oklahoma Employment Security Comm	General Fund		Payment for Administrative Costs	(14,065)
Oklahoma Water Resources Board	General Fund		Restricted investment revenue	(71)
Oklahoma Lottery Commission	General Fund		Transfer for expendible earnings	(66,934)
			Total Transfers in to the General Fund	(81,070)
			Net Transfers In/Out - General Fund	\$ 81,020

## Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows (expressed in thousands):

### Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 1,631,209	\$ 39,882	\$ (1,277)	\$ 1,669,814
Construction In Progress	174,029	28,841	(15,428)	187,442
Total capital assets, not being depreciated	<u>1,805,238</u>	<u>68,723</u>	<u>(16,705)</u>	<u>1,857,256</u>
Capital assets, being depreciated:				
Buildings and improvements	1,568,201	24,391	(1,820)	1,590,772
Equipment	512,365	43,670	(28,472)	527,563
Infrastructure	16,378,901	745,705	(78,868)	17,045,738
Total capital assets, being depreciated	<u>18,459,467</u>	<u>813,766</u>	<u>(109,160)</u>	<u>19,164,073</u>
Less accumulated depreciation for:				
Buildings and improvements	(649,617)	(33,202)	1,598	(681,221)
Equipment	(311,898)	(40,166)	19,294	(332,770)
Infrastructure	<u>(8,560,579)</u>	<u>(437,972)</u>	<u>837</u>	<u>(8,997,714)</u>
Total accumulated depreciation	<u>(9,522,094)</u>	<u>(511,340)</u>	<u>21,729</u>	<u>(10,011,705)</u>
Total capital assets, being depreciated, net	<u>8,937,373</u>	<u>302,426</u>	<u>(87,431)</u>	<u>9,152,368</u>
Governmental activities capital assets, net	<u>\$ 10,742,611</u>	<u>\$ 371,149</u>	<u>\$ (104,136)</u>	<u>\$ 11,009,624</u>
<b>Business-type activities:</b>				
Capital assets, being depreciated:				
Equipment	\$ 6,292	\$ 664	\$ (290)	\$ 6,666
Total capital assets, being depreciated	<u>6,292</u>	<u>664</u>	<u>(290)</u>	<u>6,666</u>
Less accumulated depreciation for:				
Equipment	<u>(5,255)</u>	<u>(234)</u>	<u>238</u>	<u>(5,251)</u>
Total accumulated depreciation	<u>(5,255)</u>	<u>(234)</u>	<u>238</u>	<u>(5,251)</u>
Business-type activities capital assets, net	<u>\$ 1,037</u>	<u>\$ 430</u>	<u>\$ (52)</u>	<u>\$ 1,415</u>

Current period depreciation expense was charged to functions of the Primary Government as follows (expressed in thousands):

Governmental Activities:	
Education	\$ 1,081
Government Administration	14,924
Health Services	6,504
Legal and judiciary	242
Museums	167
Natural Resources	8,816
Public safety and defense	22,344
Regulatory services	286
Social services	7,783
Transportation	448,736
Total depreciation expense - governmental activities	<u>\$ 510,883</u>
Business-type activities:	
Government Administration	\$ 234
Total depreciation expense - business-type activities	<u>\$ 234</u>



## Component Units

Capital asset activity for the year ended June 30, 2014, (December 31, 2013, or September 30, 2013, for those entities identified in Item D of Note 1) was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 377,585	\$ 13,576	\$ (1,094)	\$ 390,067
Construction in Progress	446,042	557,481	(406,677)	596,846
Total capital assets, not being depreciated	823,627	571,057	(407,771)	986,913
Capital assets, being depreciated:				
Buildings and improvements	7,970,330	482,580	(38,018)	8,414,892
Equipment	1,746,671	160,115	(75,876)	1,830,910
Infrastructure	2,303,990	79,744	(5,188)	2,378,546
Total capital assets, being depreciated	12,020,991	722,439	(119,082)	12,624,348
Less accumulated depreciation for:				
Buildings and improvements	(2,908,458)	(237,704)	18,171	(3,127,991)
Equipment	(1,195,285)	(134,846)	51,490	(1,278,641)
Infrastructure	(1,387,909)	(80,627)	4,560	(1,463,976)
Total accumulated depreciation	(5,491,652)	(453,177)	74,221	(5,870,608)
Total capital assets, being depreciated, net	6,529,339	269,262	(44,861)	6,753,740
Capital assets, net	\$ 7,352,966	\$ 840,319	\$ (452,632)	\$ 7,740,653

## Note 6. Risk Management and Insurance

It is the policy of the state to cover the risk of losses to which it may be exposed through risk management activities. In general, the state is self-insured for health care claims (except for employee participation in certain health maintenance organizations), workers' compensation, and second injury workers' compensation. The state is also self-insured against tort and auto liability and property losses, with commercial insurance policies for losses that fall outside of coverage limits or are in excess of the self-insured retention.

Coverage for health care claims and workers' compensation is provided by two entities of the state. The Employees Group Insurance Division (EGID), a division of the Office of Management and Enterprise Services (OMES) manages a legal trust which provides group health, life, dental, and disability benefits to the state's employees and certain other eligible participants. CompSource Oklahoma (CSO) is a component unit that provides workers' compensation coverage for the state's employees (and private and local government employees). The CompSource Mutual Insurance Company Act (HB 2201) was signed into law during 2013 and provides that CSO, after a transition period, will become a domestic mutual insurance company effective January 1, 2015. As of this date it will cease to be a component unit of the state.

CSO administers claim payments and provides excess-of-loss coverage to certain governmental entities. The premiums and fees received in connection with these transactions are included in sales revenue and were approximately \$13,327,000 in 2013. The liability for claims in excess of the self-insured entities' respective retention limits included in unpaid losses and loss adjustment expenses was approximately \$85,893,000 at December 31, 2013.

CSO limits the maximum net loss that can arise from risks by entering into reinsurance agreements to assign risk to other insurers on a catastrophe basis. Premiums paid for this reinsurance were approximately \$2,249,000 in 2013. No losses have been ceded under these agreements. Reinsurance receivables with a single reinsurer of \$1,003,000 at December 31, 2013, have been recorded in anticipation of estimated amounts to be recovered from reinsurers in future years for losses ceded pursuant to certain prior year reinsurance agreements. These agreements do not relieve CSO from its obligation to policyholders. Failure of reinsurers to honor their obligations could result in losses to CSO. Management believes that all reinsurers presently used are financially sound and will be able to meet their contractual obligations.

Coverage for second injury workers' compensation is provided by a discretely presented component unit. The Multiple Injury Trust Fund (MITF) was created to encourage the hiring of individuals with a pre-existing disability and to protect

those employers from liability for the pre-existing disability. MITF records a liability for outstanding court awards only as those amounts are awarded by the Workers' Compensation Court for permanent total disability awards. There is no provision for incurred but not reported claims or claims pending Court determination. Claims and Judgments which were due and owing at December 31, 2013, have been charged to operations for the year ended December 31, 2013. At year end, the MITF loss liability exceeded net position. MITF was indebted to claimants for court awarded judgments. Only those judgments currently payable in arrears bear interest. The rate, set by statute, is the Treasury bill rate plus 4% to be updated annually.

Coverage for liability and property losses is provided by the Risk Management Department of OMES. The Risk Management Department administers a self-insurance program to protect the state, its agencies, colleges, and universities against tort and auto liability claims. Coverage and limits under this program correspond directly with the Oklahoma Governmental Tort Claims Act (GTCA). The Risk Management Department purchases commercial liability insurance for losses that fall outside of the GTCA. The Risk Management Department also provides a Property Insurance program for all agencies, colleges, and universities through a combination of a high self-insured retention and commercial insurance policies in excess of the self-insured retention. Coverage limits are \$1 billion for each occurrence subject to coverage terms and conditions. Commercial insurance is purchased to protect the state's fine arts and physical damage to its automobiles. Additionally, the Risk Management Department purchases a Government Crime Policy, i.e., Employee Dishonesty policy.

Except for MITF, estimates relating to incurred but not reported claims, as well as other probable and estimable losses have been included in accrued liabilities for each fund. None of the funds have included non-incremental claims adjustment expense as part of accrued liabilities. Because actual claims liabilities are impacted by complex factors including inflation, changes in legal doctrines, and unanticipated damage awards, the process used in computing claims liabilities does not necessarily result in exact amounts. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, and other economic and social factors.

The General Fund self-insurance loss liability for the Risk Management Department of OMES represents an estimate of amounts to be paid from economic financial resources.

The following table presents the changes in claims liability balances (both current and noncurrent) during the current fiscal year ended June 30, 2014, (December 31, 2013, for CSO, EGID (formerly OSEEGIB), and MITF) and the prior fiscal year, (expressed in thousands):

	Beginning Balance	Plus: Current Year Claims and Changes in Estimates	Less: Claim Payments	Ending Balance	Noncurrent Liability	Current Liability
<b>Current Fiscal Year</b>						
General Fund -						
Office of Management and						
Enterprise Services	\$ 49,356	\$ 3,142	\$ (26,064)	\$ 26,434	\$ 370	\$ 26,064
Proprietary Fund -						
Office of Management and						
Enterprise Services	\$ 109,656	\$ 873,842	\$ (870,621)	\$ 112,877	\$ 11,685	\$ 101,192
Component Units:						
CompSource Oklahoma	\$1,053,060	\$ 297,530	\$ (203,995)	\$1,146,595	\$ 929,403	\$ 217,192
Multiple Injury Trust Fund	294,263	107,396	(32,772)	368,887	352,532	16,355
Total Component Units*	\$1,347,323	\$ 404,926	\$ (236,767)	\$1,515,482	\$1,281,935	\$ 233,547

\* The Higher Education Component Unit's claims and judgments (\$5,129 – noncurrent) are for accrued liabilities not related to risk management.

	Beginning Balance	Plus: Current Year Claims and Changes in Estimates	Less: Claim Payments	Ending Balance	Noncurrent Liability	Current Liability
<b>Prior Fiscal Year</b>						
General Fund -						
Office of Management and						
Enterprise Services	\$ 24,220	\$ 32,615	\$ (7,479)	\$ 49,356	\$ 41,877	\$ 7,479
Proprietary Fund -						
Office of Management and						
Enterprise Services	\$ 103,204	\$ 824,493	\$ (818,041)	\$ 109,656	\$ 11,788	\$ 97,868
Component Units:						
CompSource Oklahoma	\$ 991,201	\$ 284,506	\$ (222,647)	\$1,053,060	\$838,510	\$214,550
Multiple Injury Trust Fund	228,548	91,735	(26,020)	294,263	267,969	26,294
Total Component Units	\$1,219,749	\$ 376,241	\$ (248,667)	\$1,347,323	\$1,106,479	\$ 240,844

## Public Entity Risk Pool – Employees Group Insurance Division

The state operates the Employees Group Insurance Division of the Office of Management and Enterprise Services (Plan), a Public Entity Risk Pool.

### A. Description of Plan

The Plan provides group health, dental, life, and disability benefits to active state employees and local government employees, as well as varying coverages for active education employees and certain participants of the state's retirement systems, survivors, and persons covered by COBRA. Disability coverage is available only to active state employees and local government employees. The Plan is self-insured and provides participants with the option of electing coverage from certain HMOs. Premium rates for the various groups are separately established.

The coverages are funded by monthly premiums paid by individuals, the state, local governments, educational employers, and retirement systems. A participant may extend coverage to dependents for an additional monthly premium based on the coverage requested. Of the 222,000 primary participants and dependents, approximately 28,000 primary participants and 22,000 dependents were covered by HMOs. These counts relate to health coverage only.

All state agencies are required to participate in the Plan. Eligible local governments may elect to participate in the Plan (300 local governments actually participate). Any education entity or local government which elects to withdraw from the Plan may do so with 30 days written notice, and must withdraw both its active and inactive participants.

A summary of available coverages and eligible groups, along with the number of health care participants follows:

	State Employee	Local Government Employee	Education Employee	Teachers' Retirement System	OPERS	COBRA
Health	X	X	X	X	X	X
Dental	X	X	X	X	X	X
Life	X	X	X	X	X	
Disability	X	X				
Medicare Supplement				X	X	X
Health Care Participants:						
Primary	22,000	8,000	50,000	-----	39,000	-----
Dependents	-----	-----	-----	53,000	-----	-----

### B. Unpaid Claims Liabilities

The Plan establishes policy and contract claim reserves based on the estimated ultimate cost of settling claims that have been reported but not settled, and of claims that have been incurred but not yet reported. Disability reserves are also established based on the estimated ultimate cost of settling claims of participants currently receiving benefits and for disability claims incurred but not yet reported to the Plan.

The reserves are determined using the Plan's historical benefit payment experience. The length of time for which costs must be estimated depends on the coverages involved. Although such estimates are the Plan's best estimates of the incurred claims to be paid, due to the complex nature of the factors involved in the calculation, the actual results may be more or less than the estimate. The claim liabilities are recomputed on a periodic basis using actuarial and statistical techniques which consider the effects of general economic conditions, such as inflation, and other factors of past experience, such as changes in participant counts. Adjustments to claim liabilities are recorded in the periods in which they are made. Premium deficiency reserves are required to be recorded when the anticipated costs of settling claims for the following fiscal year are in excess of the anticipated premium receipts for the following year. Anticipated investment income is considered in determining whether a premium deficiency exists.

### C. Reconciliation of Claims Liabilities

The schedule below presents the changes in policy and contract claim reserves and disability reserves for the three types of coverages: health and dental, life, and disability (expressed in thousands):

	Health and Dental	Life	Disability	Total
	Fiscal Year 12/31/2013	Fiscal Year 12/31/2013	Fiscal Year 12/31/2013	Fiscal Year 12/31/2013
Reserves at beginning of period	\$ 88,683	\$ 5,988	\$ 14,985	\$ 109,656
Incurring claims:				
Provision for insured events of current period	844,412	26,052	4,660	875,124
Changes in provisions for insured events of prior periods	(786)	695	(1,191)	(1,282)
	<u>843,626</u>	<u>26,747</u>	<u>3,469</u>	<u>873,842</u>
Payments:				
Claims attributable to insured events of current period	756,474	21,282	467	778,223
Claims attributable to insured events of prior periods	84,832	4,383	3,183	92,398
	<u>841,306</u>	<u>25,665</u>	<u>3,650</u>	<u>870,621</u>
Reserves at end of period	<u>\$ 91,003</u>	<u>\$ 7,070</u>	<u>\$ 14,804</u>	<u>\$ 112,877</u>

### D. Revenue and Claims Development Information

The separately issued audited financial statements for the Plan include Required Supplementary Information regarding revenue and claims development.

## Note 7. Operating Lease Commitments

The state has commitments with non-state entities to lease certain buildings and equipment. Future minimum rental commitments for equipment operating leases as of June 30, 2014, are as follows (expressed in thousands):

	General Fund	Fiduciary Funds	Component Units
2015	\$ 126	\$ 218	\$ 5,976
2016	27	-	5,015
2017	11	-	3,692
2018	-	-	3,217
2019	-	-	2,931
2020 - 2024	-	-	20,602
Total Future Minimum Lease Payments	<u>\$ 164</u>	<u>\$ 218</u>	<u>\$ 41,433</u>
Operating lease commitments for building rental for year ended June 30, 2015	\$ 24,334	\$ 408	\$ 28,485
Rent expenditures/expenses for operating leases for year ended June 30, 2014	\$ 23,654	\$ 570	\$ 65,794

## Note 8. Lessor Agreements

### Primary Government

#### Direct Financing Leases

The Department of Transportation maintains leases classified as direct financing leases. The state leases heavy equipment and machinery to counties within the state. The lease terms are determined by the depreciation schedules published by the American Association of State Highway Transportation Officials. All new county equipment leases were charged an interest amount equivalent to 3% of the equipment cost. Title to this equipment passes to the counties at the end of the lease term. The Department of Transportation also leases railroad lines within the state to various railroad companies with the longest lease term ending in 2025. No interest or executory costs are charged, and the leases include bargain purchase options. The unguaranteed residual values of the machinery, equipment, and railroad lines are not estimated by the state. Contingent rentals are not a part of any lease and uncollectible amounts are not expected. The total minimum lease payments to be received by the Department of Transportation in future years is approximately \$18,508,000, which is also the net investment in direct financing leases at June 30, 2014. The following schedule represents minimum lease payments receivable for direct financing leases for each of the five succeeding fiscal years (expressed in thousands):

	2015	2016	2017	2018	2019
Department of Transportation	\$ 4,551	\$ 3,956	\$ 3,300	\$ 2,780	\$ 1,978
Oklahoma Capital Improvement Authority	35,930	37,040	38,342	39,938	41,368
Total	<u>\$ 40,481</u>	<u>\$ 40,996</u>	<u>\$ 41,642</u>	<u>\$ 42,718</u>	<u>\$ 43,346</u>

The Oklahoma Capital Improvement Authority (OCIA) has capital lease agreements with the higher education component unit for the lease of various facilities, equipment and improvements. At June 30, 2014, the total minimum lease payments to be received by OCIA from the higher education component unit are \$553,366,000. These lease agreements end in fiscal year 2035.

#### Operating Leases

The state has operating leases maintained by various state agencies consisting primarily of state land leased to non-state entities, as well as a small amount of state owned buildings which are also leased to non-state entities. Due to the passage of time, the state's historical cost of the leased land is not reasonably determinable. The leased buildings consist of sub-leased office space under an operating lease. Since the state does not have a cost basis in the building, no depreciation expense is recognized. The Primary Government's total operating leases receivable recognized in the current fiscal year is approximately \$29,000. Minimum future rentals receivable from these operating leases is presented in the following schedule (expressed in thousands):

2015	2016	2017	2018	2019
\$ 375	\$ 252	\$ 199	\$ 133	\$ 117

In addition, the leasing operations of the Commissioners of the Land Office consist of leasing approximately 744,000 acres of land principally for agricultural purposes. The lease terms are generally for five-year periods with one-fifth of the leases expiring each year. The lease year is on a calendar year basis with rents prepaid one year in advance. The rental amount is determined based on the maximum amount bid by the lessee. The following schedule presents minimum future rentals receivable from the noncancelable leasing of these lands (expressed in thousands):

2015	2016	2017	2018	2019	Total
\$ 10,389	\$ 8,027	\$ 5,237	\$ 0	\$ 0	\$ 23,653

### Component Units

The Oklahoma Municipal Power Authority (Authority) executed a Power Purchase Agreement with FPL Energy Oklahoma Wind, LLC (FPLE Oklahoma), for the development of a wind generation facility in northwestern Oklahoma. Under the agreement, FPLE Oklahoma was responsible for acquiring, constructing and installing the wind project. The Authority issued taxable limited obligation notes which were payable solely from lease payments made by FPLE Oklahoma. The Authority used the proceeds of the notes to finance the Authority's acquisition of the wind project and has leased the wind project to FPLE Oklahoma under a long-term capital lease agreement for an amount sufficient to pay the debt service, principal and interest, on the notes. The Power Purchase Agreement has a term of approximately 25 years and power is sold on a take and pay basis. FPLE Oklahoma retains the operational risk related to the wind project. The following schedule lists the components of the lease agreement as of December 31, 2013 (expressed in thousands):

Total minimum lease payments to be received	\$ 67,751
Less: Amounts representing interest included in	
total minimum lease payments	(23,883)
Net investment in direct financing leases	\$ 43,868

### Operating Leases

The Oklahoma Turnpike Authority has various noncancelable contracts with concessionaires to provide patron services on the state's turnpike system. The contracts are generally for five year terms, with two five-year renewal options. The Authority receives concession revenue that includes minimum rentals plus contingent rentals based on sales volume. The Authority also leases antenna space under noncancelable contracts with a 20 year term. The University Hospital Authority has leased substantially all capital assets, except construction-in-progress, to the joint operations of OU Medical Center and OU Health Sciences Center. The University Hospital Authority carries receipts through 2049. The following schedule presents minimum future rentals receivable from these contracts (expressed in thousands):

	2015	2016	2017	2018	2019	Thereafter	Total
University Hospitals Authority	\$ 2,573	\$ 2,373	\$ 1,020	\$ 730	\$ 707	\$ 20,066	27,469
Oklahoma Turnpike Authority	744	986	1,010	1,015	1,012	14,645	19,412
Total	\$ 3,317	\$ 3,359	\$ 2,030	\$ 1,745	\$ 1,719	\$ 34,711	46,881

The cost, carrying amount and depreciation of the Oklahoma Turnpike Authority leased property for the year ended December 31, 2013 is \$24,400,000, \$15,917,000 and \$8,483,000, respectively. The cost, carrying amount and related depreciation of the University Hospitals Authority leased property for the year ended June 30, 2014 (expressed in thousands):

Land	\$ 4,009
Buildings	330,927
Equipment	127,909
Infrastructure	7,701
Cost	470,546
Less Accumulated Depreciation	(262,658)
Net Leased Property	\$ 207,888



## Note 9. Long-Term Obligations As Related to Governmental Activities

Long-term obligations at June 30, 2014, and changes for the fiscal year then ended (expressed in thousands):

	Issue Date	Interest Rates	Maturity Through	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds Payable from Tax Revenue:								
Oklahoma Bldg 2010A Refunding	2011	2.00%-5.00%	2019	\$ 102,670	\$ -	\$ 335	\$ 102,335	\$ 3,760
Oklahoma Bldg 2010B Capitalized Interest	2011	2.00%-5.00%	2014	4,295	-	4,295	-	-
Oklahoma Bldg 2013 Refunding	2013	2.00%-5.00%	2019	29,620	-	-	29,620	20,800
Total				136,585	-	4,630	131,955	24,560
Revenue Bonds Payable from Lease Rentals:								
OCIA 2003A Highway	2003	2.00%-5.00%	2015	15,575	-	15,575	-	-
OCIA 2003B Highway	2003	2.00%-5.00%	2015	6,200	-	6,200	-	-
OCIA 2003E State Facilities	2004	2.00%-4.00%	2016	4,260	-	1,365	2,895	1,420
OCIA 2004A Refunding	2005	2.50%-5.00%	2025	79,775	-	10,015	69,760	10,525
OCIA 2005 Revenue	2006	3.50%-4.30%	2021	3,170	-	3,170	-	-
OCIA 2005A Revenue	2005	3.00%-4.35%	2021	3,670	-	2,825	845	415
OCIA 2005B Revenue	2005	3.00%-4.05%	2026	2,915	-	2,545	370	180
OCIA 2005C Revenue	2005	3.00%-5.00%	2028	26,885	-	24,045	2,840	1,395
OCIA Series 2005D	2006	3.00%-4.38%	2031	17,870	-	16,395	1,475	725
OCIA Series 2005E	2006	3.70%-5.00%	2026	2,225	-	1,940	285	140
OCIA Series 2005F	2006	3.38%-5.00%	2031	219,205	-	197,160	22,045	10,770
OCIA Series 2006A	2006	3.55%-4.38%	2027	18,915	-	1,035	17,880	1,075
OCIA Series 2006B	2006	3.50%-4.25%	2027	14,655	-	805	13,850	835
OCIA Series 2006C	2006	4.00%-4.50%	2027	17,225	-	925	16,300	965
OCIA Series 2006D	2006	1.00%-5.00%	2036	98,125	-	4,600	93,525	-
OCIA Series 2006E	2006	4.00%-4.50%	2027	5,010	-	270	4,740	280
OCIA Series 2008A	2008	2.90%-5.30%	2026	21,790	-	1,280	20,510	1,330
OCIA Series 2008B	2009	2.70%-5.48%	2030	10,420	-	420	10,000	435
OCIA Series 2009A	2009	1.00%-4.20%	2025	20,975	-	1,425	19,550	1,475
OCIA Series 2009AA	2010	2.00%-4.00%	2025	56,135	-	8,680	47,455	8,910
OCIA Series 2009B	2010	5.04%-5.34%	2025	68,830	-	-	68,830	-
OCIA Series 2012 Refunding/Revenue	2011	1.77%-5.61%	2031	132,075	-	5,100	126,975	5,190
OCIA Series 2010A Refunding	2011	2.00%-5.00%	2019	87,260	-	-	87,260	-
OCIA Series 2010B Capitalized Interest	2011	2.03%-2.48%	2016	30,105	-	-	30,105	17,550
OCIA Series 2010A DOT	2011	2.00%-5.00%	2021	99,945	-	10,985	88,960	11,340
OCIA Series 2010B DOT	2011	4.24%-4.79%	2026	92,075	-	-	92,075	-
OCIA Series 2012 DOT	2012	2.00%-2.54%	2026	57,150	-	3,435	53,715	3,535
OCIA Series 2013A	2013	2.00%-4.00%	2025	22,635	-	585	22,050	2,040
OCIA Series 2013B	2013	0.50%	2015	160	-	-	160	160
OCIA 2013C Revenue	2014	0.75%-1.00%	2015	-	10,370	4,415	5,955	5,955
OCIA 2014A Revenue	2014	2.00%-5.00%	2031	-	220,725	-	220,725	-
Corrections 2006, Central OK (ODFA)	2006	3.75%-4.50%	2026	3,225	-	190	3,035	200
Corrections 2013, Central OK (ODFA)	2013	2.00%-5.00%	2023	20,886	-	920	19,966	1,915
DHS-Logan/Okla Co. 2004A (ODFA)	2004	1.00%-3.85%	2019	3,890	-	595	3,295	595
DHS-2004B (ODFA)	2005	1.60%-5.13%	2020	2,580	-	325	2,255	325
DHS-2008 (ODFA)	2008	3.25%-4.15%	2023	16,565	-	1,410	15,155	1,410
DHS-2012 (ODFA)	2012	0.40%-5.00%	2022	12,995	-	1,305	11,690	1,305
DHS-2014	2014	2.00%	2019	-	4,410	-	4,410	-
Veterans Series 2005 (ODFA)	2005	2.65%-3.65%	2015	1,790	-	880	910	910
Law Enforcement Education/Train (ODFA)	2013	2.00%-4.00%	2022	16,193	-	926	15,267	945
OMES 2009 (ODFA)	2009	2.50%-5.00%	2035	40,090	-	1,220	38,870	1,255
Total				1,353,449	235,505	332,966	1,255,988	95,505
Notes Payable from Tax Revenue (tourism) and Grant Revenue (ODOT)								
Tourism 2004 Clean Water	2004	2.13%	2024	1,985	-	1,985	-	-
ODOT 2004A Grant Anticipation	2004	1.00%-5.00%	2019	22,180	-	3,285	18,895	3,445
ODOT 2005A Grant Anticipation	2006	3.00%-5.00%	2020	29,650	-	3,135	26,515	3,285
ODOT 2007A Grant Anticipation	2007	3.25%-5.00%	2023	67,185	-	5,385	61,800	5,600
ODOT 2008A Grant Anticipation	2009	3.00%-5.00%	2021	73,560	-	6,785	66,775	7,070
Total				194,560	-	20,575	173,985	19,400
Capital Leases				11,266	322	3,317	8,271	2,425
Compensated Absences				152,942	89,913	85,105	157,750	85,105
Pension Obligation				116,111	8,076	-	124,187	-
Bond Issue Premiums				75,666	25,678	10,575	90,769	11,683
Claims and Judgements Payable				49,356	3,142	26,064	26,434	26,064
Other Postemployment Benefits				388	331	202	517	-
Total Long-Term Obligations				\$ 2,090,323	\$ 362,967	\$ 483,434	\$ 1,969,856	\$ 264,742

The following table presents annual debt service requirements for those long-term obligations outstanding at June 30, 2014, which have scheduled debt service amounts (expressed in thousands):

	2015	2016	2017	2018	2019	2020-2024	2025-2029	2030-2034	2035-2039	2040-2044	Total
General Obligation Bonds:											
Oklahoma Bldg 2010A Refunding	\$ 7,957	\$ 28,094	\$ 28,910	\$ 28,030	\$ 21,940	\$ -	\$ -	\$ -	\$ -	\$ -	114,931
Oklahoma Bldg 2013 Refunding	21,508	1,292	384	1,212	7,240	-	-	-	-	-	31,636
Less: Interest	4,905	4,091	3,069	1,897	650	-	-	-	-	-	14,612
Total Principal	24,560	25,295	26,225	27,345	28,530	-	-	-	-	-	131,955
Revenue Bonds:											
OCIA 2003E State Facilities	1,506	1,505	-	-	-	-	-	-	-	-	3,011
OCIA 2004A Refunding	13,710	13,685	13,666	13,648	12,115	13,566	261	-	-	-	80,651
OCIA 2005A Revenue	440	439	-	-	-	-	-	-	-	-	879
OCIA 2005B Revenue	191	194	-	-	-	-	-	-	-	-	385
OCIA 2005C Revenue	1,475	1,472	-	-	-	-	-	-	-	-	2,947
OCIA 2005D Revenue	766	764	-	-	-	-	-	-	-	-	1,530
OCIA 2005E Revenue	149	148	-	-	-	-	-	-	-	-	297
OCIA 2005F Revenue	11,530	11,528	-	-	-	-	-	-	-	-	23,058
OCIA 2006A Revenue	1,789	1,787	1,788	1,786	1,787	8,906	5,325	-	-	-	23,168
OCIA 2006B Revenue	1,384	1,381	1,382	1,382	1,379	6,888	4,115	-	-	-	17,911
OCIA 2006C Revenue	1,658	1,659	1,656	1,652	1,655	8,241	4,927	-	-	-	21,448
OCIA 2006D Revenue	5,091	5,099	5,083	5,091	5,091	25,464	25,448	110,030	-	-	186,397
OCIA 2006E Revenue	479	482	480	477	479	2,392	1,426	-	-	-	6,215
OCIA 2008A Revenue	2,276	2,277	2,276	2,269	2,266	11,305	4,502	-	-	-	27,171
OCIA 2008B Revenue	923	925	922	921	923	4,586	4,560	909	-	-	14,669
OCIA 2009A Revenue	2,186	2,189	2,180	2,189	2,180	10,883	2,173	-	-	-	23,980
OCIA 2009AA Revenue	10,427	10,409	10,376	10,366	10,357	-	-	-	-	-	51,935
OCIA 2009B Revenue	3,588	3,588	3,588	3,588	3,588	67,269	12,782	-	-	-	97,991
OCIA Series 2010 Refunding/Revenue	11,419	11,403	11,386	11,372	11,348	56,578	56,243	22,379	-	-	192,128
OCIA Series 2010A Refunding	3,841	9,138	21,669	33,687	32,894	-	-	-	-	-	101,229
OCIA Series 2010B Capitalized Interest	18,039	12,710	-	-	-	-	-	-	-	-	30,749
OCIA 2010A DOT	14,764	14,746	14,707	14,722	14,682	29,278	-	-	-	-	102,899
OCIA 2010B DOT	4,229	4,229	4,229	4,229	4,229	64,326	48,457	-	-	-	133,928
OCIA 2012 DOT	5,808	5,812	5,807	5,812	5,807	29,054	11,616	-	-	-	69,716
OCIA 2013A Revenue	2,663	2,667	2,669	2,665	2,666	11,206	1,178	-	-	-	25,714
OCIA 2013B Revenue	160	-	-	-	-	-	-	-	-	-	160
OCIA 2013C Revenue	6,000	-	-	-	-	-	-	-	-	-	6,000
OCIA 2014A Revenue	7,041	9,848	24,660	12,655	12,995	91,373	129,029	47,324	-	-	334,925
Corrections 2006, Central OK (ODFA)	331	328	330	331	332	1,657	660	-	-	-	3,969
Corrections 2013, Central OK (ODFA)	2,650	2,642	2,649	2,647	2,650	9,841	-	-	-	-	23,079
DHS-Logan/Okla Co. 2004A (ODFA)	735	734	737	733	732	-	-	-	-	-	3,671
DHS-2004B	434	430	431	428	428	430	-	-	-	-	2,581
DHS-2008	2,033	2,031	2,030	2,030	2,032	8,124	-	-	-	-	18,280
DHS-2012	1,797	1,794	1,798	1,797	1,795	4,931	-	-	-	-	13,912
DHS-2014	934	936	939	936	934	-	-	-	-	-	4,679
Veterans Series 2005 (ODFA)	943	-	-	-	-	-	-	-	-	-	943
Law Enforcement Education/Train (ODFA)	1,465	1,484	1,465	1,463	1,467	7,319	4,267	-	-	-	18,930
Finance 2009 (ODFA)	2,916	2,918	2,922	2,916	2,917	14,542	14,461	14,381	3,077	-	61,050
Less: Interest	147,770	143,381	141,825	141,792	139,728	488,159	331,430	195,023	3,077	-	1,732,185
Total Principal	52,265	50,779	47,406	43,679	39,530	147,966	72,039	22,256	277	-	476,197
Less: Interest	95,505	92,602	94,419	98,113	100,198	340,193	259,391	172,767	2,800	-	1,255,988
Notes Payable:											
ODOT 2004A Grant Anticipation	4,255	4,248	4,245	4,236	4,233	-	-	-	-	-	21,217
ODOT 2005A Grant Anticipation	4,417	4,412	4,406	4,401	4,393	8,817	-	-	-	-	30,846
ODOT 2007A Grant Anticipation	8,473	8,468	8,482	8,481	8,464	33,769	-	-	-	-	76,137
ODOT 2008A Grant Anticipation	10,122	10,113	10,095	10,076	10,075	30,147	-	-	-	-	80,628
Less: Interest	27,267	27,241	27,228	27,194	27,165	72,733	-	-	-	-	208,828
Total Principal	7,867	6,915	5,919	4,874	3,770	5,498	-	-	-	-	34,843
Less: Interest	19,400	20,326	21,309	22,320	23,395	67,235	-	-	-	-	173,985
Capital Leases	2,763	2,441	1,848	984	773	409	-	-	-	-	9,218
Less: Interest	323	241	160	102	63	22	-	-	-	-	911
Less: Executory Cost	15	12	8	1	-	-	-	-	-	-	36
Total Principal	2,425	2,188	1,680	881	710	387	-	-	-	-	8,271
Total	\$ 141,890	\$ 140,411	\$ 143,633	\$ 148,659	\$ 152,833	\$ 407,815	\$ 259,391	\$ 172,767	\$ 2,800	\$ -	\$ 1,570,199
Long-Term Debt without scheduled debt service:											
Compensated Absences											157,750
Pension Obligation											124,187
Bond Issue Premiums											90,769
Claims and Judgements Payable											26,434
Other Postemployment Benefits											517
Total Long-Term Obligations											\$ 1,969,856

## A. General Obligation Bonds

General obligation bonds, administered by the State Treasurer, are authorized and issued primarily to provide resources for state-owned capital improvements, including office buildings for state agencies. The state has pledged 100% of cigarette taxes collected under these bond issues. General obligation bonds are backed by the full faith and credit of the state, including the state's power to levy additional taxes to ensure repayment of the bonds.

## B. Revenue Bonds

The Oklahoma Capitol Improvement Authority (OCIA) has twenty-eight outstanding series of building bonds to construct and equip state office buildings and prisons. Principal and interest payments on these bond issues are paid from rents collected from the various state and federal agencies that occupy the buildings constructed with the bond proceeds. The 2006D series are multi-modal variable rate demand bonds and are the only variable rate bonds issued by OCIA. The interest rate resets on a daily, weekly, or monthly interest rate mode which is determined by public bond market conditions.



The Oklahoma Development Finance Authority (ODFA) has issued lease revenue bonds to provide lease financing for the Department of Corrections, the Department of Human Services, the Department of Veterans Affairs, the Council for Law Enforcement Education and Training, and the Office of Management and Enterprise Services. The actual lease payments are made to a trustee who is responsible for payments to individual investors.

### **C. Notes Payable**

The Oklahoma Department of Transportation has issued several series of Grant Anticipation Notes for the purpose of financing certain qualified federal aid transportation projects in the state. The notes are secured by federal revenue received from the Federal Highway Administration (FHA) and have a final maturity in 2023. Total revenue received from the FHA in fiscal year 2014 was \$669,790,000 with a portion of that amount, \$208,828,000, reserved as security for the notes. Current year note obligations for principal and interest totaled \$27,267,000.

### **D. Capital Leases**

The state has entered into agreements to lease equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. Capital lease obligations are reported for those leases where the fair market value of the leased asset at inception of the lease is \$25,000 or more.

Leased equipment under capital leases in capital assets at June 30, 2014, includes the following (expressed in thousands):

	Buildings	Equipment	Total
Cost	\$ 7,662	\$ 9,099	\$ 16,761
Less: Accumulated depreciation	(1,921)	(4,473)	(6,394)
Total	<u>\$ 5,741</u>	<u>\$ 4,626</u>	<u>\$ 10,367</u>

### **E. Other Liabilities**

Compensated absences are liquidated by the General Fund and do not have scheduled future debt service requirements beyond one year. The pension obligation is for the Oklahoma Department of Wildlife Conservation defined benefit pension plan, the Oklahoma Law Enforcement Retirement System and the Uniform Retirement System for Judges and Justices. These plans are single-employer plans that provide retirement, disability, and death benefits to the plan members and their beneficiaries. These pension obligations do not have scheduled future debt service requirements. The Wildlife Pension Plan obligation will be liquidated by the General Fund. The pension liability for the Oklahoma Law Enforcement Retirement System and the Uniform Retirement System for Judges and Justices will be liquidated by the respective pensions.

### **F. Authorized Unissued Bonds**

The Oklahoma Capital Improvement Authority (OCIA) has been authorized to issue bonds in the amount of \$9,000,000 for the Department of Tourism and Recreation to acquire, construct and renovate offices. OCIA also has authorization to issue \$2,665,000 of bonds for the School of Science and Mathematics and \$6,000,000 of bonds for the Department of Mental Health/Substance Abuse Services pending matching funding. OCIA has been authorized to issue \$120,000,000 of 10-year term bonds to repair the state capitol building. The Oklahoma Water Resources Board (OWRB) has been authorized to issue general obligation bonds in the amount of \$300,000,000 to be used as credit for other OWRB loan programs.

## Note 10. Long-Term Obligations As Related to Business-Type Activities

The Oklahoma Water Resources Board (Board) along with the Department of Environmental Quality has issued 35 series of revenue bonds. These bonds provide resources to implement statewide financial assistance programs. These programs make loans to local government units for the acquisition, development, and utilization of storage and control facilities for water and sewage systems.

Long-term obligations at June 30, 2014, and changes for the fiscal year then ended are as follows (expressed in thousands):

	Issue Date	Interest Rates	Maturity Through	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Revenue Bonds Payable from User Fees:								
1989-2014 Issues	1998-2014	0.25-6.30%	2043	\$ 901,187	\$ 84,780	\$ 227,764	\$ 758,203	\$ 47,670
Adjusted for: Bond Premiums and Discounts				30,226	12,817	87	42,956	-
Revenue Bonds Payable Net of Bond Premiums and Discounts				931,413	97,597	227,851	801,159	47,670
Other Noncurrent Liabilities				16,021	-	4,336	11,685	-
Compensated Absences				1,144	157	201	1,100	165
Total Long-Term Obligations				\$ 948,578	\$ 97,754	\$ 232,388	\$ 813,944	\$ 47,835

The following table presents annual debt service requirements for those long-term obligations outstanding at June 30, 2014, which have scheduled debt service amounts (expressed in thousands):

	2015	2016	2017	2018	2019	2020-2024	2025-2029	2030-2034	2035-2039	2040-2044	Total
Revenue Bonds:											
1989-2014 Issues	\$ 77,793	\$ 70,794	\$ 69,382	\$ 68,038	\$ 68,318	\$ 309,131	\$ 226,203	\$ 135,441	\$ 45,975	\$ 18,969	\$ 1,090,044
Less: Interest	30,123	28,969	27,802	26,508	25,019	100,400	59,103	24,453	8,100	1,364	331,841
Principal	47,670	41,825	41,580	41,530	43,299	208,731	167,100	110,988	37,875	17,605	758,203
Total	\$ 47,670	\$ 41,825	\$ 41,580	\$ 41,530	\$ 43,299	\$ 208,731	\$ 167,100	\$ 110,988	\$ 37,875	\$ 17,605	\$ 758,203
Adjusted for: Bond and Note Premium and Discounts											42,956
Long-Term Obligations without scheduled debt service:											
Other Noncurrent Liabilities											11,685
Compensated Absences											1,100
Total Long-Term Obligations											\$ 813,944

Several of the bonds bear interest at variable rates, initially set at 0.25% to 5.125% and are periodically adjusted, pursuant to the provisions of the bond indentures, to a maximum rate of 14% per year. Variable rates are reset semiannually by the remarketing agent. The interest rate on the bonds was 0.25% at June 30, 2014. At the option of the Board and subject to applicable provisions of the bond indenture, which require, among other things, that all bonds be successfully remarketed, the variable interest rate may be converted to a term rate that would stay fixed until maturity.

## Note 11. Long-Term Obligations as Related to Component Units

Long-term obligations at June 30, 2014 (September 30, 2013, for Oklahoma Housing Finance Agency and December 31, 2013, for Oklahoma Turnpike Authority, Grand River Dam Authority and Municipal Power Authority), and changes for the fiscal year then ended are as follows (expressed in thousands):

	Issue Dates	Interest Rates	Maturity Through	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>General Obligation Bonds Payable from User Fees:</b>								
Industrial Finance Authority	2001-2005	2.50 - 5.25%	2022	\$ 46,230	\$ -	\$ 655	\$ 45,575	\$ 690
Total Before Adjustments				46,230	-	655	45,575	
Adjusted for: Bond Premiums				34	-	4	30	
Net Deferred Debits on Refundings				(110)	-	(110)	-	
Total General Obligation Bonds Payable								
Net of Bond Premiums and Deferrals				46,154	-	549	45,605	690
<b>Revenue Bonds Payable from User Fees:</b>								
Student Loan Authority	1995-2013	0.15 - 6.35%	2041	583,316	-	118,115	465,201	-
Development Finance Authority	1996	2.50%	2031	9,999	-	-	9,999	-
Housing Finance Agency	1987-2011	0.73 - 8.00%	2042	565,351	197,623	267,259	495,715	22,963
Turnpike Authority	2002-2012	2.00 - 5.50%	2031	1,085,260	-	49,310	1,035,950	49,775
Grand River Dam Authority	1995-2010	3.00 - 7.16%	2040	905,481	-	91,110	814,371	36,306
Municipal Power Authority	1992-2010	1.20 - 6.44%	2047	590,195	172,485	18,635	744,045	19,600
Universal Hospitals Authority	2005	0.09 - 0.22%	2036	48,965	8	1,178	47,795	1,235
Higher Education	1993-2007	1.20 - 10.00%	2034	1,305,742	328,070	218,500	1,415,312	46,577
Total Before Discounts/Deferrals				5,094,309	698,186	764,107	5,028,388	
Adjusted for: Bond (Discounts) Premiums				84,486	894	(2,252)	87,632	
Net Deferred Debits on Refundings				(15,242)	-	(15,242)	-	
Total Revenue Bonds Payable								
Net of Bond (Discounts) Premiums and Deferrals				5,163,553	699,080	746,613	5,116,020	176,456
<b>Notes Payable:</b>								
Multiple Injury Trust Fund	2000-2001	7.00%	2031	20,165	-	1,553	18,612	1,665
Oklahoma Educational Television Foundation	2014	3.00%	2019	-	1,107	-	1,107	229
Oklahoma Turnpike Authority	2009-2010	1.01%	2012	19,490	-	1,490	18,000	18,000
Student Loan Authority	1995-2004	0.20 - 1.24%	2035	38,200	-	6,800	31,400	-
OSU Medical Authority	2014	4.12%	2021	-	18,683	2,078	16,605	2,160
Municipal Power Authority	2003	6.00%	2028	45,646	-	1,778	43,868	1,885
Higher Education	2001-2007	1.88 - 8.00%	2046	138,765	12,584	36,975	114,374	79,169
Total				262,266	32,374	50,674	243,966	103,108
<b>Capital Leases:</b>								
OSU Medical Authority				-	1,471	616	855	589
Higher Education				972,037	290,805	204,439	1,058,403	70,626
Total				972,037	292,276	205,055	1,059,258	71,215
Claims and Judgements				1,354,714	418,829	269,680	1,503,863	235,737
Due to Primary Government				53,693	-	1,035	52,658	-
Compensated Absences				118,450	59,243	55,457	122,236	85,562
Other Noncurrent Liabilities				798,965	433,569	354,989	877,545	429,612
Total Long-Term Obligations				\$ 8,769,832	\$ 1,935,371	\$ 1,684,052	\$ 9,021,151	\$ 1,102,380

## A. General Obligation Bonds

Oklahoma Industrial Finance Authority (OIFA) has six series of general obligation bonds outstanding. These bonds are issued for the funding of industrial finance loans to encourage business development within the state. All revenues arising from the net proceeds from repayment of industrial finance loans and interest received thereon are pledged under these bond issues. In addition, these general obligation bonds are backed by the full faith and credit of the state.

The following table presents annual debt service requirements for those long-term obligations outstanding at June 30, 2014 (September 30, 2013, for Oklahoma Housing Finance Agency and December 31, 2013, for Oklahoma Transportation Authority, Grand River Dam Authority and Municipal Power Authority), which have scheduled debt service amounts (expressed in thousands):

	2014	2015	2016	2017	2018	2019-2021	2024-2028	2029-2033	2034-2038	2039-2043	2044-2048	Total
General Obligation Bonds:												
Industrial Finance Authority	\$ 1,948	\$ 1,944	\$ 1,943	\$ 1,946	\$ 11,753	\$ 32,689	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 52,223
	1,948	1,944	1,943	1,946	11,753	32,689	-	-	-	-	-	52,223
Less: Interest	1,258	1,224	1,188	1,151	923	904	-	-	-	-	-	6,648
Total Principal	690	720	755	795	10,830	31,785	-	-	-	-	-	45,575
Revenue Bonds:												
Student Loan Authority	4,432	4,432	4,432	4,432	4,432	22,160	55,127	198,871	149,072	113,479	-	560,869
Development Finance Authority	250	250	250	250	1,250	1,250	10,561	-	-	-	-	14,061
Housing Finance Agency	43,281	31,487	31,386	31,829	31,676	156,042	154,996	133,888	205,211	-	-	819,796
Turnpike Authority	95,343	95,338	95,336	95,339	90,824	445,554	439,844	106,459	-	-	-	1,464,037
Grand River Dam Authority	91,344	61,817	61,742	61,657	61,656	307,620	306,328	304,910	87,625	34,865	-	1,379,564
Municipal Power Authority	51,862	52,816	52,550	52,392	52,315	251,960	205,482	172,336	157,369	157,373	125,905	1,332,360
Universal Hospitals Authority	2,082	2,131	2,165	2,224	11,924	13,242	14,692	9,644	-	-	-	58,104
Higher Education	106,534	109,972	109,467	105,770	106,243	508,974	471,458	389,205	262,767	109,678	-	2,280,068
	395,128	358,243	357,328	353,893	360,320	1,706,802	1,658,488	1,315,313	862,044	415,395	125,905	7,908,859
Less: Interest	218,672	201,580	193,895	187,319	183,239	778,571	553,314	325,485	174,947	51,279	12,170	2,880,471
Total Principal	176,456	156,663	163,433	166,574	177,081	928,231	1,105,174	989,828	687,097	364,116	113,735	5,028,388
Notes Payable:												
Multiple Injury Trust Fund	2,925	2,925	2,925	2,925	2,925	10,225	-	-	-	-	-	24,850
Oklahoma Educational Television Foundation	258	239	280	260	152	-	-	-	-	-	-	1,189
Oklahoma Turnpike Authority	18,187	-	-	-	-	-	-	-	-	-	-	18,187
Student Loan Authority	35	35	35	21,223	14	71	10,219	-	-	-	-	31,632
OSU Medical Authority	2,848	2,425	2,425	2,425	2,425	7,271	-	-	-	-	-	19,819
Municipal Power Authority	4,517	4,517	4,517	4,517	4,517	22,584	22,582	-	-	-	-	67,751
Higher Education	85,562	10,966	10,728	3,523	1,221	10,855	250	-	-	-	-	123,105
	114,332	21,107	20,910	34,873	11,254	51,006	33,051	-	-	-	-	286,533
Less: Interest	11,224	5,460	4,571	3,826	3,402	10,487	3,597	-	-	-	-	42,567
Total Principal	103,108	15,647	16,339	31,047	7,852	40,519	29,454	-	-	-	-	243,966
Capital Leases:												
OSU Medical Authority	619	155	117	-	-	-	-	-	-	-	-	891
Higher Education	112,895	115,434	113,891	110,690	89,355	391,533	351,170	243,523	44,535	11,136	-	1,584,162
	113,514	115,589	114,008	110,690	89,355	391,533	351,170	243,523	44,535	11,136	-	1,585,053
Less: Interest	42,299	44,158	41,400	38,688	35,702	178,547	98,361	38,023	7,578	1,039	-	525,795
Total Principal	71,215	71,431	72,608	72,002	53,653	212,986	252,809	205,500	36,957	10,097	-	1,059,258
Total	\$ 351,469	\$ 244,461	\$ 253,135	\$ 270,418	\$ 249,416	\$ 1,213,521	\$ 1,387,437	\$ 1,195,328	\$ 724,054	\$ 374,213	\$ 113,735	\$ 6,377,187
Adjusted for: Net Discounts and Deferred Debits on Refundings												87,662
Long-Term Obligations without scheduled debt service:												
Claims and Judgements												1,503,863
Due to Primary Government												52,658
Compensated Absences												122,236
Other Noncurrent Liabilities												877,545
Total Long-Term Obligations												\$ 9,021,151

## B. Revenue Bonds

The Oklahoma Student Loan Authority (OSLA) has issued nine series of revenue bonds with outstanding balances. The bonds were issued for the purpose of funding student loans. All bonds payable are primarily secured by the student loans receivable, related accrued interest and by the amounts on deposit in the accounts established under the respective bond resolution. Variable interest rates are adjusted periodically based on prevailing market rates of various instruments as prescribed in bond indentures. At June 30, 2014, the variable interest rates ranged from 0.2% to 1.4%.

The Oklahoma Development Finance Authority (ODFA) has issued revenue bonds to fund loans to various investment enterprises in connection with the Quality Jobs Investment Program. The bonds are payable solely from and secured by the revenues and funds in the Quality Jobs Investment Program and a Credit Enhancement Reserve Fund guarantee insurance policy. The interest rates are variable and equal to the Oklahoma Industrial Finance Authority's cost of funds on its outstanding variable rate bond issues. The interest rate at June 30, 2014 was 2.5%.

The Oklahoma Housing Finance Agency (OHFA) has issued 29 series of revenue bonds with outstanding balances at year end. The net proceeds of these bonds are used to provide financing for qualifying residences, provide interim and permanent financing for multi family construction projects, and establish debt service reserves as required by the various trust indentures.

The Oklahoma Turnpike Authority (OTA) has five series of revenue bonds outstanding with an original issue amount of \$1,364,930,000. The bonds are issued for the purpose of financing capital improvements and new projects relating to the state's turnpike system and are financed primarily by tolls assessed on users of the turnpikes.

The Grand River Dam Authority (GRDA) has five series of revenue bonds outstanding with an original issue amount of \$919,656,000. Oklahoma statutes have authorized GRDA to issue revenue bonds with the aggregate outstanding indebtedness not to exceed \$1,410,000,000.

The Oklahoma Municipal Power Authority (OMPA) has eleven series of revenue bonds outstanding. The bonds were issued to finance portions of OMPA's acquisition and construction activities. The bonds are payable from and collateralized by a pledge of and security interest in the proceeds of the sale of the bonds, the revenues of OMPA, and assets in the funds established by the respective bond resolutions. Neither the State of Oklahoma nor any political subdivision thereof is obligated to pay principal or interest on the bonds. OMPA does not have any taxing authority.

Certain series of the bonds have a variable interest rate which is established either by auction or a weekly index. The maximum rate is 14%.

The University Hospitals Authority (UHA) has issued two revenue bond series (2005A-Tax Exempt and 2005B- Taxable) with an original issue amount of \$55,460,000. The proceeds were used to finance construction of new pediatric ambulatory care facilities and a basic research center.

Sixteen of the state's colleges and universities within the Higher Education component unit have authorized and issued 78 series of revenue bonds with an original issue amount of \$1,414,969. These bonds were issued for the construction of student housing and other facilities. Student fees, revenues produced by the constructed facilities, and other revenues collateralize the revenue bonds.

### **C.      Defeased Bonds**

In prior years, component units have defeased bonds by placing assets in irrevocable trusts to provide for all future debt service payments on the defeased bonds. Accordingly, the assets of the trusts and the liabilities for the defeased bonds are not included in the accompanying financial statements. OMPA had defeased bonds outstanding at June 30, 2014 (December 31, 2013 for OMPA) totaling \$38,035,000.

### **D.      Notes Payable**

The Multiple Injury Trust Fund (MITF) component unit reports a note payable to CompSource Oklahoma component unit of \$18,612,000 as permitted by statute. Included in this note payable is a \$6,000,000 advance on a line of credit. The note and line of credit bear interest at a 7% rate and are payable over 30 years in quarterly installments. The note and line of credit are collateralized by MITF revenues and any equity or other interests available to MITF.

Notes of the Oklahoma Student Loan Authority (OSLA) are issued to fund student loans and are primarily secured by the student loans receivable, related accrued interest and by the amounts on deposit in the accounts established under the respective financing agreements. Variable interest rates are adjusted periodically based on prevailing market rates of various instruments as prescribed in lending agreements. At year end the variable interest rate was 0.1%.

The Oklahoma Municipal Power Authority (OMPA) has issued \$57,739,000 in a taxable limited obligation note. The note is payable solely from lease payments made by FPL Energy Oklahoma Wind, LLC with no recourse to OMPA. The note bears an interest rate of 6%, and annual principal and interest payments are due through December 31, 2028.

The Higher Education component unit has entered into various notes payable agreements. Lease payments, a pledge of "Section Thirteen Fund State Educational Institutions" moneys, the equipment purchased, and the facilities constructed are pledged as collateral on the notes.

### **E.      Capital Leases**

The Higher Education component unit has entered into agreements with unrelated parties as well as agreements with the Oklahoma Capital Improvement Authority (OCIA) to lease various facilities, equipment and improvements. In fiscal year 1999, the Higher Education component unit signed capital lease agreements with OCIA totaling \$49,178,000 and additional agreements totaling \$515,350,000 during fiscal year 2006. In fiscal year 2011, additional agreements with OCIA totaling \$249,440,000 were added. In fiscal year 2014, lease agreements for \$177,055,000 were added. The outstanding principal balance for the OCIA leases at June 30, 2014, is \$553,366,000. Only the principal balance of the leases is recognized since it is equivalent to the value of the items leased. The OCIA agreements are aggregated with the other capital lease obligations on the statement of net position for year end.

Leased assets under capital leases in capital assets at June 30, 2014, included the following (expressed in thousands):

	Land	Construction In Progress	Buildings	Equipment	Total
Cost	\$ -	\$ 9,412	\$ 493,074	\$ 116,381	\$ 618,867
Less: Accumulated depreciation	-	-	(77,544)	(55,498)	(133,042)
Total	<u>\$ -</u>	<u>\$ 9,412</u>	<u>\$ 415,530</u>	<u>\$ 60,883</u>	<u>\$ 485,825</u>

## F. Other Liabilities

Claims and judgments, due to Primary Government, compensated absences, and other noncurrent liabilities of each component unit, as presented in the financial statements, will be liquidated by the reporting component unit. Other noncurrent liabilities include deferred revenue and other miscellaneous liability amounts. These liabilities do not have scheduled future debt service requirements beyond one year.

## G. Authorized Unissued Bonds

By statute, Oklahoma Industrial Finance Authority (OIFA) has authority to issue general obligation bonds not to exceed \$90,000,000 plus the balance in its bond redemption account. This results in \$44,425,000 of authorized but unissued general obligation bonds. Certain institutions within the Higher Education component unit have been authorized to issue revenue bonds in the amount of \$42,000,000 for various construction, renovation and acquisition of property.

# Note 12. Net Position\Fund Balance

## Beginning Net Position and Other Restatements

### Primary Government

Beginning net position related to Governmental Activities on the Statement of Activities have been restated due to adjustments to capital assets (decrease of \$17,631,000), and accounting errors (decrease of \$6,325,000) at July 1, 2013. This restatement decreased beginning net position by \$23,956,000.

The Statement of Revenues, Expenditures and Changes in Fund Balance for Governmental Funds has been restated due to correction of accounting errors. Total beginning net position for Governmental funds decreased \$6,325,000.

### Component Units

Beginning net position for the Higher Education Component Unit has been restated due to accounting errors (increase of \$2,543,000), cumulative change in accounting principle (increase of \$22,019,000). The net effect of the restatements increased beginning net position by \$24,562,000 as of July 1, 2013.

### Proprietary Funds

Beginning net position for the Statement of Revenues, Expenses and Changes in Net Position for Proprietary Funds increased by \$5,824,000 as a result of the correction of accounting errors at the Water Resources Board. The net effect of the restatement increased net position by \$5,824,000 as of July 1, 2013.

### Fiduciary Funds

Beginning net position for the Statement of Changes in Fiduciary Net Position Fiduciary Funds and Similar Component Units has increased as a result of the cumulative change in accounting principle of \$4,996,000 for the Oklahoma Law

Enforcement Retirement Plan and \$6,496,000 for the Oklahoma Police Pension and Retirement Plan. The net effect of the restatements increased beginning net position by \$11,492,000 as of July 1, 2013.

## Governmental Fund Balance

The governmental fund financial statements present fund balance at the aggregate level of detail within the categories defined by GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The table below represents the detailed amount of fund balance available to each functional level of government within those categories. This table also contains a separate detailed categorization for the state's stabilization, or "Rainy Day" fund if a balance is available at the end of fiscal year (expressed in thousands):

	General	Permanent Funds			Total Governmental Funds
		Commissioners of the Land Office	Department of Wildlife Lifetime Licenses	Tobacco Settlement Endowment	
Nonspendable					
Inventories	\$ 72,876	\$ -	\$ -	\$ -	\$ 72,876
Prepays	1,402	-	-	-	1,402
Permanent Fund Principal	-	2,303,031	78,545	845,220	3,226,796
Restricted					
Education	17,410	7,417	-	-	24,827
Government Administration	833,403	-	-	-	833,403
Health Services	35,382	-	-	-	35,382
Legal and Judiciary	7,359	-	-	-	7,359
Museums	3,204	-	-	-	3,204
Natural Resources	18,356	-	-	-	18,356
Safety and Defense	4,191	-	-	-	4,191
Regulatory Services	6,118	-	-	-	6,118
Social Services	13,503	-	-	-	13,503
Transportation	455	-	-	-	455
Stabilization Fund (Rainy Day)	401,389	-	-	-	401,389
Committed					
Education	110,392	-	-	-	110,392
Government Administration	577,104	-	-	53,430	630,534
Health Services	28,987	-	-	-	28,987
Legal and Judiciary	107,062	-	-	-	107,062
Museums	(952)	-	-	-	(952)
Natural Resources	227,682	-	-	-	227,682
Safety and Defense	144,463	-	-	-	144,463
Social Services	147,818	-	-	-	147,818
Regulatory Services	127,072	-	-	-	127,072
Transportation	672,731	-	-	-	672,731
Assigned	1,777	-	-	70,096	71,873
Unassigned					
Permanent Fund	-	-	-	-	-
Stabilization Fund (Rainy Day)	133,796	-	-	-	133,796
Total Fund Balances	\$ 3,692,980	\$ 2,310,448	\$ 78,545	\$ 968,746	\$ 7,050,719

Nonspendable fund balance represents amounts that are not in spendable form. These amounts are not expected to be converted to cash. The state's primary forms of nonspendable fund balance are inventories and prepaid items such as rent or postage. Nonspendable fund balance also includes principal amounts within each respective permanent fund that is legally required to be maintained into perpetuity.

Restricted fund balance represents amounts that have constraints upon their use through either outside creditors, grantors, contributors or other governments as well as those amounts restricted through constitutional provisions or enabling legislation that can be legally enforced by parties outside the government. The state's general fund restricted fund balance is primarily comprised of amounts yet to be expended under federal grant awards, imminent payments on outstanding bond issues, long-term receivables that must be used for debt repayment, and 75% of any available balance in the stabilization or "Rainy Day" fund. The Commissioners of the Land Office Permanent Fund is restricted for

educational systems. Fund balance as restricted by the various constraints in the general fund for the fiscal year ended June 30, 2014 were as follows (expressed in thousands):

	General Fund - Restricted			Restricted Fund Balance
	For Debt Service Only	Federal Cash	By Enabling Legislation	
Restricted				
Education	\$ -	\$ 17,410	\$ -	\$ 17,410
Government Administration	823,898	9,505	-	833,403
Health Services	1,345	34,037	-	35,382
Legal and Judiciary	-	7,359	-	7,359
Museums	912	2,292	-	3,204
Natural Resources	546	17,810	-	18,356
Safety and Defense	194	3,997	-	4,191
Regulatory Services	6,068	50	-	6,118
Social Services	12,051	1,452	-	13,503
Transportation	-	455	-	455
Stabilization Fund (Rainy Day)	-	-	401,389	401,389
Total Fund Balances	\$ 845,014	\$ 94,367	\$ 401,389	\$ 1,340,770

Committed fund balance is presented for each respective function of government as directed by the state's highest level of decision making authority. Along with ratification by the Governor, the Senate and the House of Representatives write, prepare and approve legislative bills to allocate the state's available resources each fiscal year. This process is a formal legislative action constituting the highest level of decision making authority. Once this authority has been exercised, the same action must be taken to modify or rescind a previously approved bill or allocation of resources.

Under GAAP reporting, the nonspendable and restricted fund balance categories are considered to be restricted fund balance. The committed, assigned and unassigned fund balances are considered to be unrestricted fund balance. Generally, when the state has both restricted and unrestricted resources available, the restricted balances will be used first as expenditures are incurred as long as conditions that created the restriction are met. When unrestricted fund balance is used, the order of use would generally be committed, then assigned, and finally unassigned.

Article 10, Section 23 of the State Constitution establishes a stabilization arrangement (Constitutional Reserve or Rainy Day Fund) under certain conditions where revenues collected exceed estimates made by the State Board of Equalization. Each year the Board determines the amount available for allocation by the legislature not to exceed 95% of the Board's estimate, or General Revenue Fund certification amount. In any year in which amounts collected exceed 100% of the Board's estimated revenues, the excess is placed in the Constitutional Reserve Fund until the fund reaches 15% of the General Revenue Fund certification amount for the preceding fiscal year. Up to 37.5% of the balance in the fund at the beginning of the year may be appropriated for the forthcoming fiscal year when the Equalization Board's estimate is lower than the current fiscal year certification. An additional 37.5% of the Constitutional Reserve Fund at the beginning of the year may be appropriated for the current year if the Equalization Board determines that a revenue failure has occurred with respect to the General Revenue Fund for the current year. The remaining 25% of the balance in the Constitutional Reserve Fund may be appropriated upon a declaration by the Governor that emergency conditions exist with concurrence by a 2/3rds vote within the Senate and House of Representatives. This same 25% may also be appropriated through a joint declaration of emergency by both the Senate and House of Representatives with a concurrent 3/4ths vote by each legislative body. Due to the different methods for accessing the Constitutional Reserve Fund, any balance with the fund at year end is presented as 75% restricted and 25% unassigned. This split in presentation most closely aligns the government's ability to access these funds with the proper fund balance classification. The total Constitutional Reserve Fund balance at June 30, 2014 was \$535,185,000, with \$401,389,000 presented as restricted fund balance and \$133,796,000 as unassigned fund balance.

The Tobacco Trust Fund's assigned fund balance classification reflects amounts that are constrained by the Fund's intent to be used for specific purposes. For purposes of assigned fund balance, the Fund's Board of Directors has authority to



assign funds for specific purposes. Prior to 2012, the Board of Directors had determined that 10% of the unassigned fund balance would be designated as a reserve for future periods, should annual earnings prove insufficient to cover expenses. In November 2011, the Board of Directors chose to limit yearly expenditures of certified earnings to no more than 5% of the corpus of the Fund, with any unexpended certified earnings added to the reserve. For the fiscal year ended June 30, 2014, the assigned fund balance was \$70,096,000.

As explained in Note 1, *Summary of Significant Accounting Policies* section J, the General Fund inventory includes \$487,000 in food commodities which is also included in deferred revenue. Therefore, nonspendable fund balance for inventory/prepaid on the balance sheet is \$487,000 less than the total of inventory and prepaid items.

## **Note 13. Nonrecourse Debt and Debt Guarantees**

### **Nonrecourse (Conduit) Debt, Notes Receivable and Funds in Trust**

Financing agreements of Oklahoma Development Finance Authority (ODFA) and Oklahoma Housing Finance Agency (OHFA) are structured such that the debt is to be repaid solely from the revenues derived from the related facilities leased or acquired, or from the disposition of collateral. ODFA and OHFA do not hold notes receivable and trust investments in amounts equal to the long-term financings. As of September 30, 2013 OHFA had two series of multifamily bonds outstanding with an aggregate principal amount payable of approximately \$6,641,000. These financings are not general obligations of the state or state agencies, and it is the opinion of agency management and its legal counsel that, in the event of default by a borrower, the state has no responsibility for repayment of such financings. Accordingly, the nonrecourse debt and the related notes receivable and trust investments of ODFA and OHFA's multi family bond programs have been excluded from the financial statements. The debt and other obligations and the related notes receivable and other assets of OHFA's single family bonds are presented in the financial statements, since any assets remaining when the single family bond programs are liquidated are transferred to OHFA.

### **Credit Enhancement Reserve Fund**

Under the Constitution of the State of Oklahoma, ODFA may issue bonds of the state, to be known as Credit Enhancement Reserve Fund General Obligation Bonds, in a total principal amount of \$100,000,000 for the sole purpose of generating resources if there are insufficient assets to meet insurance obligations. The Fund is managed, administered, and utilized by ODFA solely to secure the payment of interest insurance on the revenue bonds and other financial obligations issued by the Authority for the specific purpose of enhancing and supporting the credit of such obligations. As of June 30, 2014, there were approximately \$37,500,000 of outstanding financial obligations insured by ODFA. At year end, the Fund has accrued a reserve for losses of approximately \$633,000 to cover potential losses from outstanding financial obligations insured by the Fund. Through June 30, 2014, there have been no Oklahoma Credit Enhancement Reserve Fund General Obligation Bonds issued since it is the intention of ODFA to utilize existing assets to meet obligations arising from losses reserved and accrued payments in lieu of interest by the Fund.

## **Note 14. Retirement and Pension Systems**

The State of Oklahoma has six Public Employee Retirement Systems (PERS) that administer pension plans; Oklahoma Firefighters Pension and Retirement System (OFPRS), Oklahoma Law Enforcement Retirement System (OLERS), Oklahoma Public Employees Retirement System (OPERS), Uniform Retirement System for Justices and Judges (URSJJ), Oklahoma Police Pension and Retirement System (OPPRS), and the Teachers' Retirement System of Oklahoma (TRS). These plans are all fiduciary component units of the state. The Department of Wildlife Conservation administers the Wildlife Conservation Retirement Plan (WCRP), which is part of the Primary Government. The Oklahoma Housing Finance Authority, Department of Wildlife Conservation, and Teachers' Retirement System have defined contribution plans that are privately administered.

### **A. Primary Government**

#### **1. General Description of the Retirement System**

The WCRP is a single-employer, defined benefit retirement system administered by the Wildlife Conservation Commission for employees of the Department of Wildlife Conservation with a hire date prior to July 1, 2010. The

WCRP provides retirement, disability and death benefits to plan members and their beneficiaries. The WCRP was established by statute; however, benefit provisions are established and amended by the Wildlife Conservation Commission. Cost-of-living adjustments are provided to members at the discretion of the Wildlife Conservation Commission.

The WCRP is included in the separately issued audit report of the Department of Wildlife Conservation. This report may be obtained from the Department of Wildlife Conservation, 1801 N. Lincoln, Oklahoma City, OK 73105.

## 2. Funding Policy

The WCRP required contribution is determined by the Wildlife Conservation Commission and is based on actuarial calculations.

The WCRP receives contributions from each member based on their annual covered salary. The contribution requirements are established and amended by the Wildlife Conservation Commission. For fiscal year 2014, the employee contribution rate was 5%. The Department of Wildlife Conservation is required to contribute at an actuarially determined rate. The required contribution for the year ended June 30, 2014 was \$4,307,000.

## 3. Annual Pension Cost and Net Pension Obligation

The current year annual pension cost and net pension obligation for the WCRP was as follows (expressed in thousands):

	WCRP
Annual required contribution	\$ 4,307
Interest on net pension obligation	85
Adjustment to annual required contribution	(157)
Annual pension cost	4,235
Contributions made	(4,300)
Increase (decrease) in net pension obligation	(65)
Net pension obligation-beginning of year	1,212
Net pension obligation-end of year	\$ 1,147
Actuarial Assumptions:	
Investment rate of return	7.0 %
Annual salary increase	4.5 - 7.0%
COLA increase	0.0%
Inflation Rate	3.5%
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	10 years

The annual required contribution for the WCRP for the current year was determined as part of the July 1, 2014 actuarial valuation. Actual contributions equaled 100% of required contributions and 102% of annual pension costs for fiscal year 2014. The actuarial value of assets is set equal to the market value of assets.

### Three-Year Trend Information Wildlife Conservation Retirement Plan (expressed in thousands)

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
6/30/2014	\$ 4,235	102%	\$ 1,147
6/30/2013	4,210	97%	1,212
6/30/2012	3,726	110%	1,102

The following Required Supplementary Information for the WCRP was determined as part of the actuarial valuations at the dates indicated.

**Schedule of Funding Process**  
**Wildlife Conservation Retirement Plan**  
(unaudited)  
(expressed in thousands)

Acturial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
7/1/2014	\$ 90,160	\$ 109,297	\$ 19,137	82.5%	\$ 13,599	140.7%
7/1/2013	81,345	104,810	23,465	77.6%	14,300	164.1%
7/1/2012	76,865	101,054	24,189	76.1%	14,662	165.0%

**B. Component Units**

**1. General Description of the Retirement Systems**

The Oklahoma Firefighters Pension and Retirement System (OFPRS), Oklahoma Public Employees Retirement System (OPERS), Oklahoma Police Pension and Retirement System (OPPRS), and the Teachers' Retirement System of Oklahoma (TRS) are all cost-sharing, multi-employer defined benefit retirement systems. The Uniform Retirement System for Justices and Judges (URSJJ) and the Oklahoma Law Enforcement Retirement System (OLERS) are single-employer, defined benefit retirement systems. Pension benefit provisions for all plans were established by statute and benefit provisions are amended by the State Legislature. Each plan provides retirement, disability, and death benefits to plan members and their beneficiaries. Cost-of-living adjustments are provided to plan members at the discretion of the State Legislature.

Separately issued independent audit reports for each pension plan may be obtained from the following:

Firefighters Pension and Retirement 4545 N. Lincoln Boulevard, Suite 265 Oklahoma City, OK 73105-3414	Law Enforcement Retirement 421 N.W. 13th Street, Suite 100 Oklahoma City, OK 73103-3701	Police Pension and Retirement 1001 N.W. 63rd Street, Suite 305 Oklahoma City, OK 73116-7335
Public Employees Retirement P.O. Box 53007 Oklahoma City, OK 73152-3007	Uniform Retirement System for Judges and Justices P.O. Box 53007 Oklahoma City, OK 73152-3007	Teachers' Retirement System 2500 N. Lincoln Boulevard, 5th Floor Oklahoma City, OK 73105-4209

The number of participating employers in cost-sharing multiple employer plans is as follows:

OFPRS	OPERS	OPPRS	TRS
615	287	137	607

**2. Funding Policy**

The contribution requirements for the six PERS are an established rate determined by the State Legislature each year and are not based on actuarial calculations. During the current year and the two years prior, 100% of required contributions were made into each PERS.

OFPRS receives contributions from participating full-time firefighters equal to 8% of applicable earnings, while member cities contribute 13% of the member's applicable earnings. In addition, the member cities contribute \$60 for each volunteer firefighter unless their income in the General Fund is less than \$25,000, in which case they are exempt. The State of Oklahoma's total allocation to the Plan during 2014 was \$79,545,000, which represented the 34% insurance

premium tax allocation. Insurance premium contributions to the plan for the years ended June 30, 2014, 2013, and 2012, totaled \$79,545,000, \$76,311,000, and \$68,246,000, respectively.

OLERS receives contributions from state agencies and members of 11% and 8%, respectively, of the actual paid base salary of each member. OLERS also receives other state contributions of 1.2% of all fees, taxes, and penalties collected by motor license agents after approximately the first 5%, and 5% of the insurance premium taxes collected by the Insurance Commissioner as required by statute. The other state contributions to the plan for years ended June 30, 2014, 2013, and 2012 totaled \$21,165,000, \$19,807,000, and \$18,836,000, respectively.

OPERS receives contributions from each member based on their gross salary earned, excluding overtime. There is no cap on qualifying gross salary earned, subject to Internal Revenue Service limitations on compensation.

State, County, and Local Agency Employees - The following contribution rates were in effect during fiscal year 2014:

State employees and agencies – state employees contribute 3.5% on all salary. State agency employers contribute 16.5% of total salary.

Participating county and local agencies – Employees contribute a minimum of 3.5% up to a maximum of 8.5% of salary. Employers contribute a minimum of 11.5% up to a maximum of 16.5%. Combined employee and employer contributions equal 20% of total salary.

Elected Officials - Elected officials' employee contributions are based on the maximum compensation levels set for all members and the participating employers are required to contribute on the elected officials' covered salary using the same percentage and limits as applicable for state agencies. Members elected prior to November 1, 2011 must select an employee contribution rate of 4.5%, 6.0%, 7.5%, 8.5%, 9.0%, or 10.0%. Members elected between November 1, 2010 and October 31, 2011 may only select an employee contribution rate of either 4.5% or 10%. Members elected on or after November 1, 2011 have a contribution rate of 3.5%.

Hazardous Duty Members – Hazardous Duty Members contribute 8% of total salary. Employers contribute 16.5% of total salary.

State agency employer contributions to OPERS for the years ended June 30, 2014, 2013, and 2012 were \$224,965,000, \$217,570,000, and \$212,647,000, respectively.

URSJJ member contributions for fiscal year 2014 were 8% of members' monthly salary. State statutes require participating court employers to contribute monthly a percentage of the gross salaries of active members. Effective for the fiscal year ended June 30, 2015, the employer contribution rate will increase to 16.0% of payroll and will increase 1.5% annually up to 22% for the fiscal years ending June 30, 2019, and thereafter. For fiscal year ended June 30, 2014, the effective employer contribution rate was 14.5%. State employer contributions to URSJJ for the year ended June 30, 2014, 2013, and 2012 were \$4,611,000, \$4,129,000, and \$3,620,000, respectively.

Oklahoma Police Pension and Retirement System (OPPRS) receives contributions from each participating municipality and each participant. Until July 1, 1991, each municipality contributed 10% of the actual base salary of each participant employed by the municipality. As of July 1, 1991, municipality contributions increased by 0.5% per year and continued until July 1, 1996, when the contribution level reached 13%, where it remains. Each participant of OPPRS contributes 8% of actual paid base salary. In addition, the state allocates a portion of the insurance premium taxes collected from insurance companies on various types of insurance policies as required by statute. Insurance premium contributions to the plan for the years ended June 30, 2014, 2013, and 2012 totaled \$31,329,000, \$31,412,000, and \$28,092,000, respectively.

TRS receives contributions from participating members and employers. All active members contribute to the system; however, the employer may elect to make all or part of the contribution for its employees. All members must contribute 7% of regular annual compensation, not to exceed the members' maximum compensation. For members other than those employed by a comprehensive university on or before June 30, 1995, the maximum compensation level will be the member's regular annual compensation. Beginning July 1, 2008 members employed by a comprehensive university will have the full amount of regular compensation considered, subject to contribution limits established under the Internal Revenue code.

Employers are required to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate is 9.5% for all remitting entities other than comprehensive and four year universities. The employer contribution rate for comprehensive and four year universities is 8.55%. Oklahoma Statutes require the state to contribute 4.5% of the state's sales, income and use tax. Amended statutes increased this contribution rate to 5% at July 1, 2007. In addition, the system receives 1% of the cigarette taxes collected by the state and receives 5% of net lottery proceeds collected by the state. TRS received contributions of approximately \$295,805,000 from this source for fiscal year 2014. State contributions on behalf of employees totaled approximately \$36,763,000 for fiscal year 2014. State employer contributions to TRS for the years ended June 30, 2014, 2013, and 2012 were \$6,827,000, \$6,514,000, and \$5,805,000, respectively.

### 3. Annual Pension Cost and Net Pension Obligation

The state's annual pension cost and net pension obligation (excess funding is represented as negative amounts) for the current year were as follows (expressed in thousands):

	OLERS	URSJJ
Annual required contribution	\$ 43,775	\$ 7,215
Interest on net pension obligation	6,790	1,828
Adjustment to annual required contribution	(14,908)	(2,218)
Annual pension cost	35,657	6,825
Contributions made	(29,731)	(4,611)
Increase (decrease) in net pension obligation	5,926	2,214
Net pension obligation-beginning of year	90,530	24,369
Net pension obligation-end of year	<u>\$ 96,456</u>	<u>\$ 26,583</u>
Actuarial Assumptions:		
Investment rate of return	7.5%	7.5%
Annual salary increase	3.75% - 7.8%	5.0%
COLA increase	3.0%	0.0%
Inflation rate	3.0%	3.0%
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar, closed	Level % of payroll, closed
Remaining amortization period	7 years	13 years

The annual required contribution for URSJJ for the current year was determined as part of the July 1, 2013 actuarial valuation. For the period July 1, 1994, through July 1, 1999, the aggregate actuarial cost method was used to determine cost. Effective July 1, 2000, URSJJ adopted the entry age normal method for determining cost. Contributions equaled 64% of the annual required contributions for the current year.

The annual required contribution for OLERS for the current year was determined as part of the July 1, 2013 actuarial valuation. Costs were prepared using the entry age normal method for all valuation dates except July 1, 1997, when the unfunded actuarial liability was negative and the actuarial cost method was changed to the aggregate cost method. The entry age normal method was used for all valuations subsequent to the 1997 valuation, including the current year. Contributions equaled 68% of the annual required contributions for the current year.

For actuarial purposes, assets are determined equal to the prior year's actuarial value of assets plus cash flow (excluding realized and unrealized gains or losses) for the year ended on the valuation date, assuming a 7.5% rate of return for URSJJ and 7.5% rate of return for OLERS. Prior years' unrecognized gains and losses are added to this amount to develop expected actuarial value. The expected actuarial value is then compared to the market value of the assets at the valuation date, and 20% of any gain (loss) for the last five years is added to the expected actuarial value. The gain (loss) is amortized over five years with the actuarial value of the assets being constrained to a range of 80% to 120% of the market value at the valuation date.

### Three-Year Trend Information

(expressed in thousands)

	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
Oklahoma Law Enforcement Retirement System	6/30/2014	\$ 35,657	83%	\$ 96,456
	6/30/2013	38,639	73%	90,530
	6/30/2012	44,602	59%	79,995
Uniform Retirement System for Justices and Judges	6/30/2014	6,825	68%	26,583
	6/30/2013	7,145	58%	24,369
	6/30/2012	7,287	50%	21,353

The following Required Supplementary Information for OLERS and URSJJ was determined as part of the actuarial valuations at the dates indicated.

### Schedules of Funding Progress Oklahoma Law Enforcement Retirement System (unaudited) (expressed in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
7/1/2014	\$ 811,351	\$ 916,260	\$ 104,909	88.6%	\$ 76,838	136.5%
7/1/2013	725,124	890,555	165,431	81.4%	73,423	225.3%
7/1/2012	688,411	878,537	190,126	78.4%	71,598	265.5%

### Uniform Retirement System for Judges and Justices (unaudited) (expressed in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
7/1/2014	\$ 274,071	\$ 258,788	\$ (15,283)	105.9%	\$ 34,282	(44.6%)
7/1/2013	247,531	254,409	6,878	97.3%	34,325	20.0%
7/1/2012	238,554	249,379	10,825	95.7%	33,337	32.5%

#### 4. Net Pension Liability

	WCRP	OLERS	OPERS	URSJJ	OPPRS	OFRPS	TRS
Total Pension Liability	109,297	916,260	8,753,669	258,788	2,204,797	3,225,452	19,646,619
Plan Fiduciary Net Position	96,461	879,906	8,570,105	301,469	2,238,466	2,197,105	14,229,481
Net Pension Liability	<u>12,836</u>	<u>36,354</u>	<u>183,564</u>	<u>(42,681)</u>	<u>(33,669)</u>	<u>1,028,347</u>	<u>5,417,138</u>
Plan fiduciary net position as a percentage of the total pension liability	88.3%	96.0%	97.9%	116.5%	101.5%	68.1%	72.4%

#### 5. Other Retirement Systems

The Department of Wildlife Conservation's defined contribution plan is a single-employer plan that covers the employees of the Department of Wildlife Conservation with a hire date of July 1, 2010, or later. The defined contribution plan provides retirement benefits to plan members and their beneficiaries. Plan members are required to contribute 5% of compensation annually. The employer's annual contribution ranges from 6% to 12% and is based on the employee's number of completed years of credited service with the Department of Wildlife Conservation.

The Oklahoma Housing Finance Agency (OHFA), a Component Unit of the state, contributes to the Oklahoma Housing Finance Agency Retirement Plan, which is a defined contribution plan. Under its provisions, all new employees are required to participate in the Oklahoma Public Employees Retirement System (OPERS), and are not eligible to join the OHFA plan after June 30, 1997. OHFA's contribution amount is at the discretion of the Board of Trustees and does not have any limitations. The current contribution rate is 16.5% of eligible employees' compensation. Plan provisions were established and may be amended by the Board of Trustees.

In addition to the TRS, various institutions in the Higher Education Component Unit participate in other pension plans, primarily the Teachers Insurance and Annuity Association. These plans are defined contribution plans. Contributions made by participating institutions are based on a percentage of payrolls for qualified employees as determined by each institution's contract. For those institutions providing these plans, the total covered payroll was \$774,234,000. The institution contributions were \$71,507,000 or 9.2% of covered payroll. Employees are not required to contribute to the plans.

Several institutions in the Higher Education Component Unit also sponsor supplemental retirement annuities to guarantee eligible retirees a minimum level of benefits from other retirement sources. New employees are not eligible to participate in these plans. These annuities operate as defined benefit plans. Funding varies among institutions, with some funding based on actuarial calculations and others on a pay-as-you-go basis. Employees are not required to contribute to these plans.

### Note 15. Other Postemployment Benefits (OPEB)

#### 1. General Description of the Other Postemployment Benefits

The Employees Group Insurance Division (EGID), a division of the Office of Management and Enterprise Services (OMES) manages a legal trust which provides group health, life, dental and disability benefits for active employees and retirees (should they so elect) of state agencies, school districts and other governmental units. EGID, as a multi-line insurance provider, receives OPEB payments on behalf of retiree's from several of the state's pension plans and the Department of Wildlife.

The Department of Wildlife Conservation, part of the Primary Government, at its expense, provides a health insurance allowance (OPEB) to retirees for the payment of health insurance premiums at retirement where the retiree elects continued coverage through EGID. This allowance is reduced when the retiree is eligible for Medicare. The coverage amount is established by the Department on an annual basis and can be discontinued at the Board's discretion.

As mandated by statute, several of the state's pension plans provide an OPEB benefit to retirees should a retiree make such an election at retirement to continue health coverage through the state's provider, EGID. This contribution is for a fixed, limited amount that varies slightly from pension to pension. This benefit is included in the pension systems'

actuarial valuations to determine both funded and unfunded liabilities, but is not considered material to each respective pension as a whole.

## 2. Funding Policy

The Employees Group Insurance Division, operates as an insurance company and as an access provider to other health and dental plans, primarily board approved health maintenance organizations (HMOs) and dental maintenance organizations (DMOs). EGID receives monthly premium contributions directly from retirees except for the nominal amount received from the participating pension plans and the Department of Wildlife Conservation. Employers make no contribution on a retiree's behalf, and have no liability to EGID once an employee enters retirement.

The state has one department of the Primary Government that makes payments to EGID on behalf of retirees, the Department of Wildlife Conservation. The Department provides \$150 per month as established by its board toward health insurance coverage should retirees so elect at retirement. These contributions are made on a pay-as-you go basis, and no separate account has been established to pre-fund these costs. For the fiscal years 2014, 2013, and 2012 the department paid into EGID as follows, representing 100% of the Department's board mandated contributions to EGID:

	FY 2014 Contributions	FY 2013 Contributions	FY 2012 Contributions
<b>Primary Government</b>			
Dept. of Wildlife Conservation	\$ 203,000	\$ 187,000	\$ 159,000

The state has two cost-sharing multi-employer retirement systems that make payments to EGID on behalf of retirees should a retiree so elect. These plans are the Oklahoma Public Employees Retirement System (OPERS) and the Teachers' Retirement System of Oklahoma (TRS). The state also has two single employer retirement systems that make payments to EGID on behalf of retirees, the Uniform Retirement System for Judges and Justices (URSJJ) and the Oklahoma Law Enforcement Retirement System (OLERS). As mandated by statute, these plans pay between \$100 and \$105 per month to EGID on behalf of retirees if so elected. For fiscal years 2014, 2013, and 2012 the retirement systems paid into EGID as follows, representing 100% of the state's legislatively required contributions to EGID:

	FY 2014 Contributions	FY 2013 Contributions	FY 2012 Contributions
<b>Fiduciary Component Units</b>			
OPERS (a)	\$ 18,722,000	\$ 18,721,000	\$ 18,707,000
TRS (a)	30,136,000	27,314,000	29,607,000
URSJJ (b)	164,000	164,000	170,000
OLERS (b)	822,000	814,000	810,000
	<u>\$ 49,844,000</u>	<u>\$ 47,013,000</u>	<u>\$ 49,294,000</u>

(a) - Cost Sharing Multi-Employer Retirement Plan

(b) - Single Employer Retirement Plan

## Component Units

Twenty-two of the institutions included in the Higher Education Component Unit sponsor single-employer OPEB plans as designated by each institution's governing Board of Regents. These independent trust plans primarily provide supplemental health, dental, and life insurance benefits to participating retirees. Eligibility requirements and benefits differ significantly between the participating higher education institutions. Current year benefit expenditures, funded primarily on a pay-as-you-go basis, totaled approximately \$11,180,000 in fiscal year 2014 for the twenty-two participating institutions. Complete disclosure for each higher education institution can be obtained from the Oklahoma State Regents for Higher Education, 655 Research Parkway, Suite 200, Oklahoma City, OK 73104.



### 3. Annual Pension Cost and Net OPEB Obligation

The Department of Wildlife Conservation's annual OPEB cost is calculated based on its annual required contribution (ARC), an actuarially determined amount in accordance with GAAP. It represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liability over a period of 30 years. The annual OPEB cost and net OPEB obligation for the current year was as follows (expressed in thousands):

	Wildlife OPEB
Normal cost	\$ 76
Amortization of actuarial accrued liability (AAL)	262
Annual required contribution (ARC)	338
Interest on net OPEB obligation	15
ARC adjustment	(22)
Annual OPEB cost	331
Actual amount of net employer disbursements	(203)
Increase in net OPEB obligation	128
Net OPEB obligation, beginning of year	389
Net OPEB obligation, end of year	\$ 517
Actuarial Assumptions:	
Investment rate of return	4.0%
Inflation Rate	0.0%
Annual healthcare cost	5.0%
Actuarial cost method	Entry age normal
Amortization method	30 years, level dollar, open period
Remaining amortization period	10 years

The Department's annual OPEB cost, the percentage of annual OPEB cost contributed to the substantive OPEB plan, and the net OPEB obligation were as follows:

#### Three-Year Trend Information Wildlife Conservation OPEB Substantive Plan (expressed in thousands)

Fiscal Year Ending	Annual OPEB Cost	Percentage Of Annual OPEB Cost Contributed	Net Pension Obligation
6/30/2014	\$ 331	61%	\$ 517
6/30/2013	324	58%	389
6/30/2012	213	75%	252

The following Required Supplementary Information for the Department of Wildlife Conservation was determined as part of the actuarial valuation for the dates indicated.

**Schedule of Funding Progress**  
**Wildlife Conservation OPEB Substantive Plan**  
(unaudited)  
(expressed in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
7/1/2014	\$ -	\$ 4,760	\$ 4,760	-	\$ 15,778	30.2%
7/1/2013	-	4,621	4,621	-	15,580	29.7%
7/1/2012	-	4,457	4,457	-	15,272	29.2%

The Department's OPEB is not funded and there are no OPEB plan assets as it is a substantive plan. As of July 1, 2014, the most recent actuarial valuation date, the AAL for benefits was approximately \$4.8 million and the actuarial value of assets was zero, resulting in an UAAL of \$4.8 million.

The actuarial valuation for this substantive plan (the plan as currently understood by the employer and the plan members), involves estimates of the value of reported amounts and assumptions about the probability of events occurring far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Projections include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods used are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with a long-term perspective.

## Note 16. On-Behalf Payments

The Teacher's Retirement System (TRS) of Oklahoma receives 5% of the state's sales, use, corporate and individual income taxes collected as dedicated tax. Senate Bill 1376, which became law in July 2002, provides that the percentage of the state's collected dedicated taxes allocated to the TRS increased from 4.5% to 5.0% on July 1, 2007 and thereafter. The System receives 1% of the cigarette taxes collected by the state and receives 5% of the net lottery proceeds collected by the state. The System received approximately \$296,000,000 from the state for the year ended June 30, 2014.

The Firefighters Pension and Retirement System (OFPRS) of Oklahoma received 34% of the state's insurance premium tax revenue. OFPRS received approximately \$79,000,000 from the state for the year ended June 30, 2014. Of the same insurance premium tax revenue, the Police Pension and Retirement System (OPPRS) of Oklahoma and Law Enforcement Retirement System (OLERS) received 14% and 5% respectively. OPPRS and OLERS received approximately \$31,000,000 and \$11,000,000 from the state for the year ended June 30, 2014 respectively.

## Note 17. Commitments

### Primary Government

For the year ended June 30, 2014, the General Fund had encumbrances of \$194,221,000 within the restricted and committed fund balances of the governmental funds.

The Department of Transportation had contractual commitments at June 30, 2014, of approximately \$753,276,000 for the construction of various highway projects. Future appropriations will fund these commitments as work is performed.

The Department of Human Services (DHS) maintains a construction unit which engages in capital improvements of state buildings. At year end, DHS had long-term projects totaling \$45,145,000 for the General Fund.

## **Component Units**

The University of Oklahoma had outstanding commitments under construction contracts totaling \$20,642,000 at June 30, 2014.

Oklahoma State University had outstanding commitments under construction contracts of approximately \$54,054,000 at June 30, 2014.

The Oklahoma Turnpike Authority (OTA) had commitments outstanding at December 31, 2013, relating to equipment orders and supplies of approximately \$4,748,000. At December 31, 2013, OTA had commitments outstanding relating to construction and maintenance contracts of approximately \$37,355,000.

The Oklahoma Municipal Power Authority (OMPA) purchased approximately \$20,730,000 of power pursuant to several long-term purchase agreements during 2013. OMPA is obligated to purchase, at a minimum, approximately \$19,084,000 of power in 2014.

The Grand River Dam Authority (Authority) makes and receives commitments for purchases of coal and other materials. The Authority had contractual commitments at December 31, 2013 for long-term coal and freight purchases under contracts through 2020 with estimated minimum obligations for the next fiscal year ending December 31, 2014 of \$129,195,000, and total obligations of \$1,040,316,000 through 2020.

## **Note 18. Litigation and Contingencies**

The state and its component units are parties to numerous legal proceedings, many of which normally occur in governmental operations. Such litigation includes, but is not limited to, claims assessed against the state for property damage and personal injury, alleged breaches of contract, condemnation proceedings, and other alleged violations of state and federal laws. Certain claims have been adjudicated against the state, but remained unpaid as of June 30, 2014.

The state receives significant financial assistance from the Federal Government in the form of grants and entitlements, which are generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by federal agencies. Any disallowance as a result of these audits could become a liability of the state. As of June 30, 2014, the state is unable to estimate what liabilities may result from such audits.

### **Primary Government**

Through the normal course of operations there are many legal cases which involve the state as a party. Most of these cases are currently deemed to have a remote chance of loss or will result in a gain to the state. The assessment of several cases indicates there is the reasonably possible or probable chance of a loss occurring to the state. Current estimates for these losses range from \$500,000 to \$1,351,000.

The Department of Transportation (DOT) has incurred significant expenditures on construction projects that have exceeded the amounts approved by the federal grantor. These project expenditures are held in suspense until approved by the federal grantor and subsequently reimbursed. Based on prior years' experience, the reimbursement of expenditures is highly probable. At June 30, 2014, DOT had project expenditures totaling \$454,000 that will be reimbursed pending approval of the Federal Government.

American Airlines is seeking a refund of sales taxes paid for electricity and natural gas utility services used against the Oklahoma Tax Commission. The ruling in this case upheld the sales tax exemption on the purchase of utilities by American Airlines. The General Counsel has deemed that it is probable that American Airlines is entitled to a refund of sales tax. The claim for refund in this case was approximately \$1 million; however, an estimate of the refund cannot be made at this time. No contingent liability has been recorded at this time.

## **Component Units**

The Oklahoma Capital Investment Board (OCIB), as a public trust of the State of Oklahoma, has authority to transfer tax credits to public entities. Tax credits can be transferred by OCIB in conjunction with a legitimate call on an OCIB guarantee. As of June 30, 2014, OCIB had a maximum commitment line of credit of \$30,000,000. As of June 30, 2014, the line of credit had an outstanding balance of \$14,926,000. All of the outstanding balance is classified as long-term debt. In addition to the debt, OCIB reported June 30, 2014 net position deficit of \$2,582,000.

The credits and OCIB's right to transfer the credits expire if not utilized by June 30, 2020. As of June 30, 2014, \$30,915,000 of tax credits had been transferred. Four entities currently have signed agreements to purchase up to an aggregate of \$8,000,000 of tax credits per year at the sole discretion of OCIB. OCIB has the authority to issue up to \$20,000,000 of tax credits per year with an overall maximum of \$100,000,000. The remaining \$69,085,000 of tax credits were not considered impaired at June 30, 2014, as there was sufficient time remaining for the tax credits to be utilized before they expire.

## **Note 19. Subsequent Events**

### **Component Units**

Oklahoma Capital Improvement Authority has authorized but not issued lease revenue bonds totaling \$139,250,000 to refund outstanding tax-exempt issues.

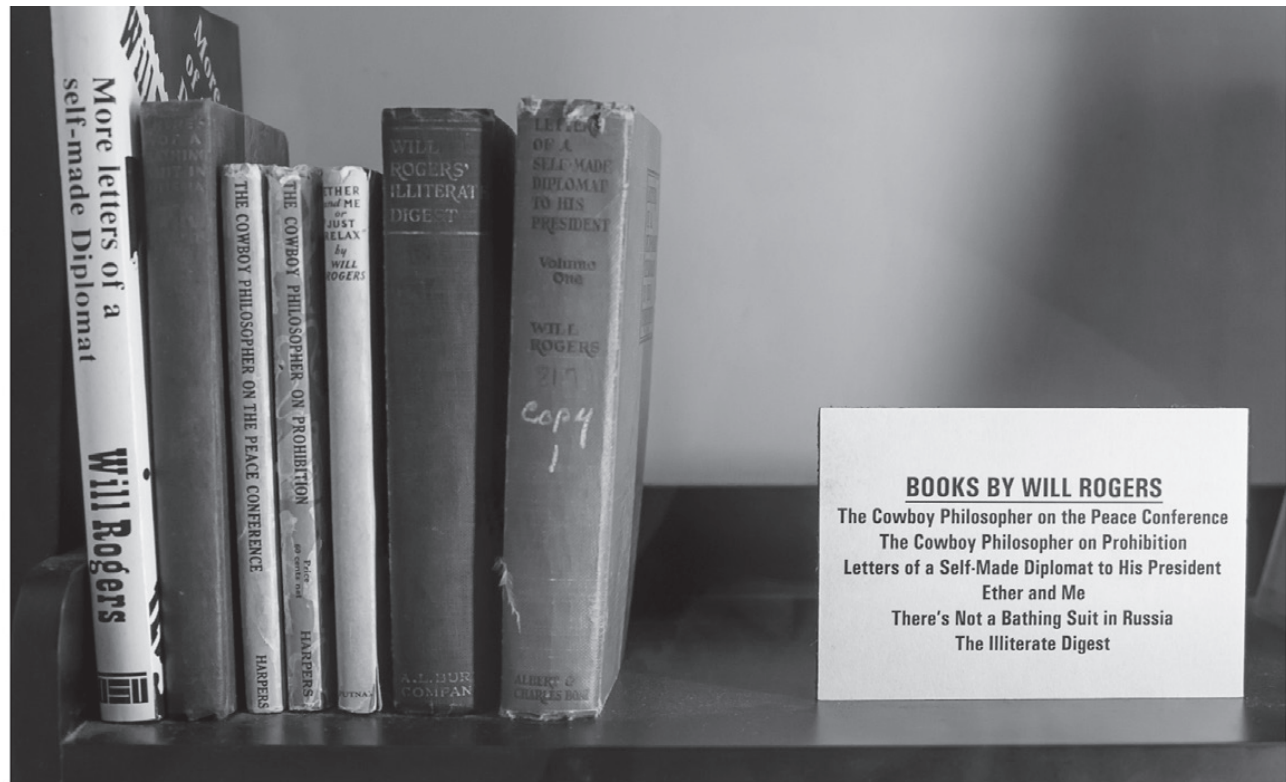
Oklahoma Water Resources Board has authorized but not issued bonds totaling \$29,595,000 for capital projects.

Oklahoma Municipal Power Authority has authorized but not issued bonds totaling \$123,180,000 for capital projects.

Grand River Dam Authority has authorized but not issued bonds totaling \$375,480,000 for capital projects.

Oklahoma Development Finance Authority (ODFA) has authorized but not issued bonds totaling \$77,170,000 for the Master Real Property Lease Program and has authorized but not issued bonds totaling \$19,270,000 for the Master Equipment Lease Program. ODFA has authorized but not issued bonds totaling \$4,500,000 for the Community Development Pooled Finance Act. ODFA also has authorized but not issued bonds totaling \$4,340,000 for capital projects.

A lawsuit naming CompSource as a defendant was filed on December 4, 2014 challenging CompSource's discretion regarding dividends related to the period 2001 through 2012. Plaintiffs seek damages, court costs and attorneys' fees. While it is not possible to predict when this matter will be completely resolved, it is possible that the disposition of the litigation could occur in the near term. In the opinion of CompSource's management, after considering the advice of counsel, the ultimate disposition of this proceeding could have a material adverse effect on CompSource's financial condition, changes in financial condition and cash flow. At this time there has been no contingent liability recorded by the State of Oklahoma.



## Required Supplementary Information and Budget Schedule

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## **Required Supplementary Information and Budget Schedule**

Budgetary Comparison Schedule  
 Budget to Actual (Non-GAAP Budgetary Basis)  
 General Fund  
 For the Fiscal Year Ended June 30, 2014  
 (expressed in thousands)

		GENERAL FUND				
		BUDGET				
		ORIGINAL	Amendments	FINAL	ACTUAL	VARIANCE
<b>EDUCATION</b>						
<b>State Arts Council</b>						
01	Duties	4,010	-	4,010	2,141	1,869
11	FY13 Carryover	-	260	260	260	-
Agency Total		4,010	260	4,270	2,401	1,869
<b>Department of Career and Technology Education</b>						
08	Duties	134,384	-	134,384	124,558	9,826
48	FY13 Carryover	-	8,106	8,106	7,544	562
Agency Total		134,384	8,106	142,490	132,132	10,388
<b>Department of Education</b>						
01	Financial support of Public Schools	986,673	-	986,673	986,673	-
01	Financial support of Public Schools (Min Lea)	3,325	-	3,325	3,325	-
02	Financial support of Public Schools (Min Lea)	1,756	-	1,756	1,756	-
02	Public School Activities	507,773	-	507,773	495,705	12,068
04	Textbooks	33,000	-	33,000	32,985	15
04	Administrative and Support Functions	22,427	-	22,427	18,757	3,670
07	For Ad Valorem Reimbursement	-	25,523	25,523	25,523	-
Agency Total		1,554,954	25,523	1,580,477	1,564,724	15,753
<b>Office of Educational Quality and Accountability</b>						
01	Duties	661	-	661	471	190
Agency Total		661	-	661	471	190
<b>Commission of the Land Office</b>						
01	Duties	15,062	-	15,062	2,622	12,440
11	FY13 Carryover	-	4,132	4,132	3,566	566
Agency Total		15,062	4,132	19,194	6,188	13,006
<b>Department of Libraries</b>						
01	Duties	5,899	-	5,899	5,499	400
11	FY13 Carryover	-	147	147	134	13
Agency Total		5,899	147	6,046	5,633	413
<b>Center for Advancement of Science and Technology</b>						
01	Duties	17,811	-	17,811	17,722	89
11	FY13 Carryover	-	69	69	69	-
Agency Total		17,811	69	17,880	17,791	89

GENERAL FUND				
BUDGET				
ORIGINAL	Amendments	FINAL	ACTUAL	VARIANCE

#### Physician Manpower Training Commission

01	Duties	3,979	-	3,979	3,726	253
01	Duties	400	-	400	400	-
21	FY12 Carryover	-	7	7	7	-
11	FY13 Carryover	-	21	21	21	-
Agency Total		4,379	28	4,407	4,154	253

#### Oklahoma School of Science and Math

01	Duties	6,332	-	6,332	5,713	619
11	FY13 Carryover	-	304	304	275	29
Agency Total		6,332	304	6,636	5,988	648

#### Oklahoma Commission for Teacher Preparation

01	Duties	1,526	-	1,526	941	585
11	FY13 Carryover	-	1,309	1,309	1,022	287
Agency Total		1,526	1,309	2,835	1,963	872

#### Education Total

1,745,018	39,878	1,784,896	1,741,445	43,481
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#### GENERAL GOVERNMENT

##### State Auditor and Inspector

01	Duties	4,400	-	4,400	4,368	32
02	County Govt Personnel Educ & Trng	307	-	307	256	51
11	FY13 Carryover	-	62	62	11	51
Agency Total		4,707	62	4,769	4,635	134

##### State Bond Advisor

01	Duties	143	-	143	143	-
Agency Total		143	-	143	143	-

##### Department of Commerce

01	Duties	22,789	-	22,789	18,810	3,979
02	Duties - NACEA	6,784	-	6,784	6,010	774
03	To the Oklahoma Quick Action Closing Fund-duties	3,000	-	3,000	-	3,000
Agency Total		32,573	-	32,573	24,820	7,753

##### State Election Board

01	Duties	7,806	-	7,806	5,156	2,650
01	Aw ad v. Ziri ax law suit	-	303	303	-	303
13	FY13 Carryover	-	730	730	720	10
21	FY12 Carryover	-	22	22	22	-
11	FY13 Carryover	-	838	838	823	15
Agency Total		7,806	1,893	9,699	6,721	2,978

##### Ethics Commission

01	Duties	738	-	738	685	53
03	Duties	-	719	719	-	719
Agency Total		738	719	1,457	685	772



GENERAL FUND					
BUDGET					
	ORIGINAL	Amendments	FINAL	ACTUAL	VARIANCE
<b>Governor</b>					
01 Duties	2,173	-	2,173	1,968	205
11 FY13 Carryover	-	141	141	126	15
Agency Total	2,173	141	2,314	2,094	220
<b>Lieutenant Governor</b>					
01 Duties	507	-	507	301	206
11 FY13 Carryover	-	106	106	98	8
Agency Total	507	106	613	399	214
<b>Office of Management and Enterprise Services</b>					
01 Maintaining and Repairing state-ow ned properties	30,000	-	30,000	-	30,000
04 Maintaining and Repairing state-ow ned properties	-	15,000	15,000	15,000	-
01 Duties	26,179	-	26,179	22,610	3,569
02 Duties	11,200	-	11,200	9,529	1,671
01 For transfer to Bldg & Fac Revolv ( Fund 245)	2,033	-	2,033	2,033	-
02 For transfer to Bldg & Fac Revolv ( Fund 245)	5,720	-	5,720	5,720	-
11 FY13 Carryover	-	2,377	2,377	2,350	27
Agency Total	75,132	17,377	92,509	57,242	35,267
<b>Merit Protection Commission</b>					
01 Duties	491	-	491	289	202
11 FY13 Carryover	-	105	105	103	2
Agency Total	491	105	596	392	204
<b>Tax Commission</b>					
30 Duties	46,916	-	46,916	43,633	3,283
Agency Total	46,916	-	46,916	43,633	3,283
<b>Treasurer</b>					
01 Duties	3,454	-	3,454	1,953	1,501
01 State Land Reimbursements	100	-	100	100	-
11 FY13 Carryover	-	611	611	15	596
14 FY13 Carryover	-	250	250	250	-
Agency Total	3,554	861	4,415	2,318	2,097
<b>General Government Total</b>	<b>174,740</b>	<b>21,264</b>	<b>196,004</b>	<b>143,082</b>	<b>522,922</b>
<b>HEALTH SERVICES</b>					
<b>Department of Health</b>					
01 Duties	57,342	-	57,342	46,094	11,248
02 Infant Health Outcomes	1,700	-	1,700	681	1,019
03 Veterans	500	-	500	58	442
24 FQHC - Formula	3,122	-	3,122	3,122	-
38 FQHC - New	320	-	320	-	320
11 FY12 Carryover	-	12	12	-	12
Agency Total	62,984	12	62,996	49,955	13,041

		GENERAL FUND				
		BUDGET				
		ORIGINAL	Amendments	FINAL	ACTUAL	VARIANCE
<b>Mental Health and Substance Abuse</b>						
01	Duties	316,821	-	316,821	298,207	18,614
02	Duties	20,000	-	20,000	20,000	-
Agency Total		336,821	-	336,821	318,207	18,614
<b>Health Services Total</b>						
		399,805	12	399,817	368,162	31,655
<b>LEGAL AND JUDICIARY</b>						
<b>Attorney General</b>						
01	Duties	14,323	-	14,323	11,107	3,216
02	For transfer to the Legal Services Rev Fund	905	-	905	905	-
Agency Total		15,228	-	15,228	12,012	3,216
<b>Court of Criminal Appeals</b>						
01	Duties	3,635	-	3,635	3,434	201
11	FY13 Carryover	-	76	76	76	-
Agency Total		3,635	76	3,711	3,510	201
<b>District Attorney's Council</b>						
01	Duties (w / allow ance to transfer \$419,014 to 22500)	39,687	-	39,687	39,032	655
11	FY13 Carryover	-	275	275	261	14
Agency Total		39,687	275	39,962	39,293	669
<b>District Courts</b>						
01	Duties - District Courts	16,600	-	16,600	16,562	38
11	FY13 Carryover	-	101	101	101	-
Agency Total		16,600	101	16,701	16,663	38
<b>Indigent Defense System</b>						
01	Duties	15,699	-	15,699	14,526	1,173
11	FY13 Carryover	-	394	394	391	3
Agency Total		15,699	394	16,093	14,917	1,176
<b>Supreme Court</b>						
01	Duties	17,300	-	17,300	14,765	2,535
11	FY13 Carryover	-	2,556	2,556	2,552	4
Agency Total		17,300	2,556	19,856	17,317	2,539
<b>Workers' Compensation Court of Existing Claims</b>						
01	Duties	5,747	-	5,747	2,477	3,270
Agency Total		5,747	-	5,747	2,477	3,270
<b>Legal and Judiciary Total</b>		113,896	3,402	117,298	106,189	11,109
<b>MUSEUMS</b>						
<b>Historical Society</b>						
01	Duties	12,503	-	12,503	12,095	408
Agency Total		12,503	-	12,503	12,095	408

GENERAL FUND					
BUDGET					
ORIGINAL	Amendments	FINAL	ACTUAL	VARIANCE	
<b>J.M. Davis Memorial Commission</b>					
01 Duties	306	-	306	290	16
Agency Total	306	-	306	290	16
<b>Will Rogers Memorial Commission</b>					
01 Duties	740	-	740	709	31
11 FY13 Carryover	-	11	11	11	-
Agency Total	740	11	751	720	31
<b>Museums Total</b>					
	13,549	11	13,560	13,105	455
<b>NATURAL RESOURCES</b>					
<b>Department of Agriculture</b>					
01 Duties	22,040	-	22,040	20,553	1,487
06 Duties	3,870	-	3,870	3,857	13
02 Agriculture Extension Division	-	2,000	2,000	-	2,000
03 FAPC of the Ag Extension Division	-	300	300	-	300
11 FY13 Carryover	-	644	644	458	186
Agency Total	25,910	2,944	28,854	24,868	3,986
<b>Conservation Commission</b>					
01 Duties	10,462	-	10,462	9,708	754
02 Watershed flood control programs	-	3,000	3,000	-	3,000
Agency Total	10,462	3,000	13,462	9,708	3,754
<b>Department of Environmental Quality</b>					
01 Duties	9,058	-	9,058	8,492	566
Agency Total	9,058	-	9,058	8,492	566
<b>Scenic Rivers Commission</b>					
01 Duties	271	-	271	271	-
02 Duties	-	94	94	-	94
Agency Total	271	94	365	271	94
<b>Department of Tourism and Recreation</b>					
01 Duties	21,803	-	21,803	16,323	5,480
11 FY13 Carryover	-	2,655	2,655	1,326	1,329
Agency Total	21,803	2,655	24,458	17,649	6,809
<b>Water Resources Board</b>					
01 Duties	7,000	-	7,000	3,958	3,042
01 Drought Relief	3,000	-	3,000	3,000	-
02 Drought Relief Programs	-	1,500	1,500	-	1,500
Agency Total	10,000	1,500	11,500	6,958	4,542
<b>Natural Resources Total</b>					
	77,504	10,193	87,697	67,946	19,751
<b>PUBLIC SAFETY AND DEFENSE</b>					
<b>Alcohol Beverage Laws Enforcement</b>					
01 Duties	3,140	-	3,140	3,107	33
Agency Total	3,140	-	3,140	3,107	33

GENERAL FUND					
BUDGET					
ORIGINAL	Amendments	FINAL	ACTUAL	VARIANCE	
State Bureau of Investigation					
01 Duties		14,283		14,283	-
Agency Total		14,283		14,283	-
Department of Corrections					
03 Duties		7,870		7,870	
40 Duties		12,130		12,130	
30 Duties		443,731		426,874	16,857
40 Duties	13,000	13,000		5,276	7,724
31 FY13 Carryover		7,713		7,713	-
Agency Total	20,713	484,444		459,863	24,581
Council on Law Enforcement, Education, and Training					
01 Duties		3,161		2,821	340
02 Duties		145		145	-
02 Duties		452		452	-
Agency Total		3,758		3,418	340
Department of Emergency Management					
01 Duties		651		636	15
11 FY13 Carryover	18	18		12	6
02 Mesonet		1,200		1,200	-
Agency Total	18	1,869		1,848	21
State Fire Marshal					
01 Duties		1,797		1,761	36
Agency Total		1,797		1,761	36
Board of Medicolegal Investigations					
01 Duties		8,698		6,922	1,776
11 FY13 Carryover	1,593	1,593		780	813
Agency Total	1,593	10,291		7,702	2,589
Oklahoma Military Department					
01 Duties		11,748		9,687	2,061
21 FY13 Carryover	61	61		61	-
11 FY13 Carryover	494	494		491	3
Agency Total	555	12,303		10,239	2,064
Bureau of Narcotics and Dangerous Drugs					
01 Duties		3,616		3,604	12
Agency Total		3,616		3,604	12
Pardon and Parole Board					
01 Duties		2,217		1,830	387
02 Duties		75		-	75
11 FY13 Carryover	55	55		55	-
Agency Total	55	2,347		1,885	462
Department of Public Safety					
01 Duties		90,417		85,373	5,044
Agency Total		90,417		85,373	5,044
Public Safety and Defense Total					
	22,934	628,265		593,083	35,182

		GENERAL FUND				
		BUDGET				
		ORIGINAL	Amendments	FINAL	ACTUAL	VARIANCE
<b>REGULATORY SERVICES</b>						
<b>Commission on Consumer Credit</b>						
01	Duties	32	-	32	26	6
11	FY13 Carryover	-	9	9	4	5
Agency Total		32	9	41	30	11
<b>Corporation Commission</b>						
01	Duties	11,324	-	11,324	10,761	563
Agency Total		11,324	-	11,324	10,761	563
<b>Oklahoma Horse Racing Commission</b>						
01	Duties	2,072	-	2,072	1,965	107
11	FY13 Carryover	-	24	24	24	-
Agency Total		2,072	24	2,096	1,989	107
<b>Insurance Department</b>						
01	Duties	1,872	-	1,872	1,872	-
Agency Total		1,872	-	1,872	1,872	-
<b>Department of Labor</b>						
01	Duties	1,768	-	1,768	1,454	314
02	Duties	1,543	-	1,543	1,451	92
Agency Total		3,311	-	3,311	2,905	406
<b>Department of Mines</b>						
01	Duties	879	-	879	823	56
11	FYFY12 Carryover	-	38	38	38	-
11	FY13 Carryover	-	21	21	13	8
Agency Total		879	59	938	874	64
<b>Workers' Compensation Commission</b>						
01	Feb. 1st Transfer from Workers' Compensation Court	-	1,354	1,354	1,354	-
Agency Total		-	1,354	1,354	1,354	-
<b>Regulatory Services Total</b>		19,490	1,446	20,936	19,785	1,151
<b>SOCIAL SERVICES</b>						
<b>Commission on Children and Youth</b>						
10	Duties	2,027	-	2,027	1,694	333
11	FY13 Carryover	-	223	223	221	2
Agency Total		2,027	223	2,250	1,915	335
<b>Office of Disability Concerns</b>						
01	Duties	318	-	318	310	8
Agency Total		318	-	318	310	8
<b>Health Care Authority</b>						
01	Duties (to Disbursing Funds 200 and 340)	904,196	-	904,196	904,196	-
04	Oklahoma Hospital Residency Training Program Act	12,130	-	12,130	12,130	-
03	Duties (to Disbursing Funds 200 and 340)	13,000	-	13,000	13,000	-
06	Duties	-	47,685	47,685	-	47,685
Agency Total		929,326	47,685	977,011	929,326	47,685

GENERAL FUND				
BUDGET				
ORIGINAL	Amendments	FINAL	ACTUAL	VARIANCE

#### Department of Human Services

01	Duties (to Disbursing Funds)	614,892	-	614,892	614,892	-
02	Duties (to Disbursing Funds)	3,067	-	3,067	3,067	-
02	Duties (to Disbursing Funds)	5,126	-	5,126	5,126	-
01	Duties (to Disbursing Funds)	7,874	-	7,874	7,874	-
Agency Total		630,959	-	630,959	630,959	-

#### J.D. McCarty Center

10	Duties	4,140	-	4,140	3,876	264
11	FY13 Carryover	-	297	297	267	30
Agency Total		4,140	297	4,437	4,143	294

#### Office of Juvenile Affairs

01	Duties	98,187	-	98,187	92,088	6,099
11	FY13 Carryover	-	2,761	2,761	2,641	120
Agency Total		98,187	2,761	100,948	94,729	6,219

#### Department of Rehabilitation Services

01	Duties (to disbursing funds)	30,949	-	30,949	30,949	-
Agency Total		30,949	-	30,949	30,949	-

#### University Hospitals Authority

01	Duties	44,530	-	44,530	44,368	162
Agency Total		44,530	-	44,530	44,368	162

#### Department of Veterans Affairs

01	Duties	35,699	-	35,699	34,004	1,695
Agency Total		35,699	-	35,699	34,004	1,695

#### Social Services Total

1,776,135	50,966	1,827,101	1,770,703	56,398
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#### TRANSPORTATION

#### Oklahoma Space Industry Development Auth.

01	Duties to Space Industries Dev.	395	-	395	395	-
Agency Total		395	-	395	395	-

#### Transportation Total

395	-	395	395	-
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#### General Fund Total

4,925,863	150,106	5,075,969	4,823,865	252,074
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# Notes to Required Supplementary Information - Budgetary Reporting

## FOR THE FISCAL YEAR ENDED JUNE 30, 2014

The Budgetary Comparison Schedule - Budget to Actual (Non-GAAP Budgetary Basis) presents comparisons of the original and final legally adopted budget with actual data on a budgetary basis. The Schedule represents budgetary comparisons at the legal level of budgetary control (i.e. line item level). The schedule is prepared on a cash basis plus encumbrances where the expenditures are expected to be presented by November 15<sup>th</sup> in the following fiscal year. Certain appropriations are transferred to continuing funds for expenditure. Unexpended amounts may then be rebudgeted in subsequent fiscal years. These transfers are not included in the total expenditures on the Budgetary Comparison Schedule - Budget to Actual (Non-GAAP Budgetary Basis).

### Reconciliation of Budgetary Fund Balance to GAAP Fund Balance

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of resulting basis, perspective, and entity differences in the revenues in excess of (less than) expenditures and other financing sources (uses) between budgetary and GAAP presentations for the year ended June 30, 2014, is presented below (expressed in thousands) for the General Fund:

Budgetary Basis Fund Balance, June 30, 2013	\$ 1,551,058
Excess of total sources over total uses of financial resources (Budgetary Basis)	<u>(1,637,674)</u>
Budgetary Basis Fund Balance, June 30, 2014	(86,616)
Entity and Perspective Differences:	
Non-budgeted Funds and Capital Funds	3,464,720
Encumbrances	83,988
Basis Differences:	
Add: Net accrued revenues, related receivables, and deferred revenues	1,264,582
Less: Net accrued expenditures and related liabilities	<u>(1,033,694)</u>
GAAP Basis Fund Balance, June 30, 2014	<u>\$ 3,692,980</u>

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## **Combining Financial Statements**

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## **Combining Financial Statements**

## Description of Fiduciary Funds and Similar Component Units

Fiduciary Funds account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governmental organizations, and/or other funds.

### PENSION TRUST FUNDS

The Pension Trust Funds account for the transactions, assets, liabilities, and net position held in a trustee capacity for the benefit of the Plan members.

### WILDLIFE CONSERVATION RETIREMENT PLAN

This Plan is part of the Primary Government. The Plan accounts for transactions, assets, liabilities, and net position available for payment of plan benefits to employees of the Department of Wildlife Conservation.

The State of Oklahoma has six Public Employee Retirement Systems (PERS) that meet the definition of a component unit, but are presented with the fiduciary funds of the state:

### OKLAHOMA FIREFIGHTERS PENSION AND RETIREMENT SYSTEM

4545 N. Lincoln Blvd., Suite 265, Oklahoma City, Oklahoma 73105  
The System provides retirement benefits for municipal firefighters in the State of Oklahoma.

### OKLAHOMA LAW ENFORCEMENT RETIREMENT SYSTEM

421 NW 13<sup>th</sup> St., Suite 100, Oklahoma City, Oklahoma 73103  
The System provides retirement benefits for qualified law enforcement officers in the State of Oklahoma.

### OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

P.O. Box 53007, Oklahoma City, Oklahoma 73152  
The System administers the Oklahoma Public Employee Retirement Plan, which provides retirement benefits for state, county and local employees in the State of Oklahoma.

### UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

P.O. Box 53007, Oklahoma City, Oklahoma 73152  
The System provides retirement benefits for justices and judges in the State of Oklahoma.

### OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM

1001 N.W. 63<sup>rd</sup> Street, Suite 305, Oklahoma City, Oklahoma 73116  
The System provides retirement benefits for police officers employed by participating municipalities in the State of Oklahoma.

### TEACHER'S RETIREMENT SYSTEM OF OKLAHOMA

P.O. Box 53524, Oklahoma City, Oklahoma 73152  
The System provides retirement allowances and benefits for qualified persons employed by state-supported educational institutions in the State of Oklahoma.

### AGENCY FUNDS

Agency Funds account for the receipt and disbursement of various moneys and property collected by the state, acting in the capacity of an agent, for distribution to non-state parties.

**Taxes Held for Outside Entities** is maintained by the Oklahoma Tax Commission to account for taxes: (1) being held for distribution to county and city governments, (2) to cover anticipated tax refunds, (3) paid conditionally on an increase in gross value of oil and/or gas sold by a producer waiting on approval or settlement of an appeal, and (4) that have been intercepted by the Tax Commission to be disbursed to claimants.

**Funds Held in Escrow** are moneys held in an account until certain conditions or requirements are met. These include: (1) Cash Performance Bonds maintained by the Department of Mines until mining is complete and reclamation meets specifications, (2) Unlocated Mineral Owner's Fund maintained by the Corporation Commission (3) Workers' Compensation Claims Under Appeal maintained by the Workers' Compensation Court, (4) Unsettled Premium Tax Suits, an escrow account maintained by the Oklahoma Insurance Department for depositing of protested taxes and/or fees imposed under Oklahoma law, (5) Other moneys accounted for by the State Department of Health for bond requirements for disposal sites, by the Department of Public Safety for the retention and refund of financial responsibility security amounts and sign deposits for motor vehicle inspection stations, (6) Funds in escrow at the Attorney General's Office received as a result of litigation.

**Assets Held for Beneficiaries** are moneys maintained for: (1) clients in institutions under the jurisdiction of the Office of Juvenile Affairs (OJA), Department of Human Services (DHS), the Department of Corrections (DOC), the Department of Veterans Affairs, and the Department of Mental Health, (2) DHS custodial parents from the collection from absent parents, and (3) DHS clients placed in agency custody.

**Other** is moneys accounted for (1) by the Department of Human Capital Management for the Office of Management and Enterprise Services (OMES) for payment of employee claims against SoonerFlex flexible spending accounts, (2) deposits held by the Division of Capital Asset Management of OMES for bid process documents, (3) donations held by the District Attorney's Council for the Murrah Crime Victims Compensation Fund, (4) funds held by the Department of Transportation which had accrued to its former health insurance rate stabilization account and is being returned to the accounts contributors.

State of Oklahoma  
Combining Statement of Fiduciary Net Position  
Pension Trust Funds  
(Including Similar Component Units)  
For the fiscal year ended June 30, 2014  
(expressed in thousands)

	Primary Government		Fiduciary Component Units						
	Wildlife Conservation Retirement Plan	Oklahoma Firefighters Pension and Retirement System	Oklahoma Law Enforcement Retirement System	Oklahoma Public Employees Retirement System	Uniform Retirement System for Justices and Judges	Oklahoma Police Pension and Retirement System	Teachers' Retirement System of Oklahoma	Total	
Assets									
Cash/Cash Equivalents	\$ 4,904	\$ 40,395	\$ 10,993	\$ 81,933	\$ 1,642	\$ 30,240	\$ 449,996	\$ 620,103	
Investments, at fair value									
Equity Securities	29,548	1,593,380	545,614	2,562,990	0	972,590	9,856,802	15,560,924	
Governmental Securities	28,309	142,554	56,843	1,698,696	64,277	33,398	803,376	2,827,453	
Debt Securities	4,214	23,092	189,290	925,971	29,596	367,593	2,050,567	3,590,323	
Mutual Funds	29,486	0	0	3,406,917	210,017	0	0	3,646,420	
Other Investments	0	312,870	83,340	0	0	825,150	1,178,778	2,400,138	
Securities Lending Investments	0	144,544	75,433	591,194	13,872	9,315	2,475,663	3,310,021	
Interest and Investment Revenue Receivable	0	3,018	777	15,278	327	3,489	43,054	65,943	
Contributions Receivable:									
Employer	0	612	1,687	3,962	0	1,116	26,715	34,092	
Employee	0	392	477	1,255	0	683	17,342	20,149	
Other Contributions Receivable	0	0	0	0	0	0	0	0	
Other Receivables	0	68,242	0	0	0	0	30,262	98,504	
Due from Broker	0	0	0	259,524	8,764	346	84,587	353,221	
Due from Other Funds	0	16,876	2,344	9,233	562	6,563	0	35,578	
Capital Assets, Net	0	29	0	986	0	304	2,847	4,166	
Other Assets	0	0	1	386	0	0	0	387	
Total Assets	96,461	2,346,004	966,799	9,558,325	329,057	2,250,787	17,019,989	32,567,422	
Liabilities									
Accounts Payable and Accrued Liabilities	0	1,619	676	0	0	838	0	3,133	
Securities Lending Payable	0	144,544	75,433	591,194	13,872	9,315	2,475,663	3,310,021	
Due to Broker	0	2,622	8,859	397,024	13,716	922	226,440	649,583	
Due to Other Funds	0	0	0	2	0	0	15	17	
Benefits in the Process of Payment	0	0	1,875	0	0	1,122	75,136	78,133	
Other Liabilities	0	114	49	0	0	124	13,254	13,541	
Total Liabilities	0	148,899	86,892	988,220	27,588	12,321	2,790,508	4,054,428	
Net Position Reserved for Employees' Pension Benefits									
	\$ 96,461	\$ 2,197,105	\$ 879,907	\$ 8,570,105	\$ 301,469	\$ 2,238,466	\$ 14,229,481	\$ 28,512,994	

State of Oklahoma  
Combining Statement of Changes in Fiduciary Net Position  
Pension Trust Funds  
(Including Similar Component Units)  
June 30, 2014  
(expressed in thousands)

	Primary Government	Fiduciary Component Units						
	Wildlife Conservation Retirement Plan	Oklahoma Firefighters Pension and Retirement System	Oklahoma Law Enforcement Retirement System	Oklahoma Public Employees Retirement System	Uniform Retirement System for Justices and Judges	Oklahoma Police Pension and Retirement System	Teachers' Retirement System of Oklahoma	Total
<b>Additions</b>								
Contributions								
Employer Contributions	\$ 4,300	\$ 36,104	\$ 5,788	\$ 280,048	\$ 4,611	\$ 35,547	\$ 386,895	\$ 753,293
Employee Contributions	681	22,058	8,566	70,524	2,544	22,131	301,301	427,805
Other Contributions	0	79,545	21,165	0	0	31,329	320,157	452,196
Total Contributions	4,981	137,707	35,519	350,572	7,155	89,007	1,008,353	1,633,294
Investment Income								
Net Appreciation in Fair Value of Investments	10,641	320,907	110,787	1,210,474	44,118	286,638	2,255,052	4,238,617
Interest and Investment Revenue	1,904	28,318	14,188	115,529	2,232	20,541	367,088	549,800
	12,545	349,225	124,975	1,326,003	46,350	307,179	2,622,140	4,788,417
Less Investment Expenses	175	14,196	3,573	8,023	138	12,282	50,432	88,819
Net Investment Income	12,370	335,029	121,402	1,317,980	46,212	294,897	2,571,708	4,699,598
Total Additions	17,351	472,736	156,921	1,668,552	53,367	383,904	3,580,061	6,332,892
<b>Deductions</b>								
Administrative and General Expenses	5,032	1,958	927	4,709	132	1,862	4,283	18,903
Benefit Payments and Refunds	38	172,772	49,777	535,520	14,997	119,241	1,181,769	2,074,114
Total Deductions	5,070	174,730	50,704	540,229	15,129	121,103	1,186,052	2,093,017
Net Increase	12,281	298,006	106,217	1,128,323	38,238	262,801	2,394,009	4,239,875
<b>Net Position Reserved for Employees' Pension Benefits</b>								
Beginning of Year (as restated)	84,180	1,899,099	773,690	7,441,782	263,231	1,975,665	11,835,472	24,273,119
End of Year	\$ 96,461	\$ 2,197,105	\$ 879,907	\$ 8,570,105	\$ 301,469	\$ 2,238,466	\$ 14,229,481	\$28,512,994

State of Oklahoma  
Combining Statement of Assets and  
Liabilities  
Agency Funds  
June 30, 2014  
(expressed in thousands)

	Taxes Held for Outside Entity	Assets Held in Escrow	Assets Held for Beneficiaries	Other	Total
<b>Assets</b>					
Cash/Cash Equivalents	\$ 519,626	\$ 70,608	\$ 61,026	\$ 43,714	\$ 694,974
Investments	0	0	85	0	85
Accounts Receivable	0	3	18	0	21
Inventory	0	0	0	8,587	8,587
Total Assets	<u>519,626</u>	<u>70,611</u>	<u>61,129</u>	<u>52,301</u>	<u>703,667</u>
<b>Liabilities</b>					
Account Payable	0	0	323	0	323
Tax Refunds Payable	63,418	0	0	0	63,418
Deferred Revenue	0	0	3	0	3
Due to Others	456,208	70,611	60,803	52,301	639,923
Total Liabilities	<u>\$ 519,626</u>	<u>\$ 70,611</u>	<u>\$ 61,129</u>	<u>\$ 52,301</u>	<u>\$ 703,667</u>

State of Oklahoma  
Combining Statement of Changes in  
Assets and Liabilities  
Agency Funds

For the Fiscal Year Ended June 30, 2014  
(expressed in thousands)

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
<b>Taxes Held for Outside Entities</b>				
Assets				
Cash/Cash Equivalents	\$ 333,771	\$ 4,169,387	\$ 3,983,532	\$ 519,626
Total Assets	<u>333,771</u>	<u>4,169,387</u>	<u>3,983,532</u>	<u>519,626</u>
Liabilities				
Tax Refunds Payable	14,577	63,418	14,577	63,418
Due to Others	319,194	4,105,969	3,968,955	456,208
Total Liabilities	<u>333,771</u>	<u>4,169,387</u>	<u>3,983,532</u>	<u>519,626</u>
<b>Funds Held in Escrow</b>				
Assets				
Cash/Cash Equivalents	58,163	39,458	27,013	70,608
Investments	0	0	0	0
Accounts Receivable	3	3	3	3
Total Assets	<u>58,166</u>	<u>39,461</u>	<u>27,016</u>	<u>70,611</u>
Liabilities				
Account Payable	5	0	5	0
Deferred Revenue	3	0	3	0
Due to Others	58,158	39,461	27,008	70,611
Total Liabilities	<u>58,166</u>	<u>39,461</u>	<u>27,016</u>	<u>70,611</u>
<b>Assets Held for Beneficiaries</b>				
Assets				
Cash/Cash Equivalents	67,210	445,960	452,144	61,026
Investments	85	85	85	85
Accounts Receivable	18	18	18	18
Total Assets	<u>67,313</u>	<u>446,063</u>	<u>452,247</u>	<u>61,129</u>
Liabilities				
Account Payable	270	323	270	323
Deferred Revenue	3	3	3	3
Due to Others	67,040	445,737	451,974	60,803
Total Liabilities	<u>67,313</u>	<u>446,063</u>	<u>452,247</u>	<u>61,129</u>
<b>Other</b>				
Assets				
Cash/Cash Equivalents	51,557	150,789	158,632	43,714
Due from Component Units	683	0	683	0
Inventory	10,805	8,587	10,805	8,587
Total Assets	<u>63,045</u>	<u>159,376</u>	<u>170,120</u>	<u>52,301</u>
Liabilities				
Due to Others	63,045	159,376	170,120	52,301
Total Liabilities	<u>63,045</u>	<u>159,376</u>	<u>170,120</u>	<u>52,301</u>
<b>Total - All Agency Funds</b>				
Assets				
Cash/Cash Equivalents	510,701	4,805,594	4,621,321	694,974
Investments	85	85	85	85
Accounts Receivable	21	21	21	21
Due from Component Units	683	0	683	0
Inventory	10,805	8,587	10,805	8,587
Total Assets	<u>522,295</u>	<u>4,814,287</u>	<u>4,632,915</u>	<u>703,667</u>
Liabilities				
Account Payable	275	323	275	323
Tax Refunds Payable	14,577	63,418	14,577	63,418
Deferred Revenue	6	3	6	3
Due to Others	507,437	4,750,543	4,618,057	639,923
Total Liabilities	<u>\$ 522,295</u>	<u>\$ 4,814,287</u>	<u>\$ 4,632,915</u>	<u>\$ 703,667</u>

## NONMAJOR COMPONENT UNITS

The State of Oklahoma has eight nonmajor component units which are described below:

### OKLAHOMA EDUCATIONAL TELEVISION AUTHORITY

P.O. Box 14190, Oklahoma City, Oklahoma 73113

The Authority provides educational television services to all Oklahoma citizens on a coordinated statewide basis.

### OKLAHOMA INDUSTRIAL FINANCE AUTHORITY

5900 N. Classen Ct., Oklahoma City, Oklahoma 73118

The Authority assists with the state's industrial development by making loans to authorized industrial development agencies or trusts and new or expanding industries within Oklahoma. The loans are financed by issuance of general obligation bonds.

### HEALTH INSURANCE HIGH RISK POOL

P.O. Box 50429, Midwest City, Oklahoma 73140

The Pool provides health insurance to individuals who are unable to obtain coverage from independent insurers. The Pool is financed by assessments levied on independent insurers.

### MULTIPLE INJURY TRUST FUND

421 NW 13<sup>th</sup> Street, Oklahoma City, Oklahoma 73103

The Fund provides additional compensation to a worker with a pre-existing injury who suffers a second injury.

### UNIVERSITY HOSPITALS AUTHORITY

P.O. Box 26307, Oklahoma City, Oklahoma 73126

The Authority consists of The University Hospital and Children's Hospital of Oklahoma. The University Hospital is affiliated with

the University of Oklahoma Health Sciences Center. The University Hospital is financed primarily through patient service charges.

### OKLAHOMA DEVELOPMENT FINANCE AUTHORITY

5900 N. Classen Ct., Oklahoma City, Oklahoma 73118

The Authority provides financing for both public and private entities in the state. The Authority obtains funds through the issuance of bonds and notes.

### OKLAHOMA CAPITAL INVESTMENT BOARD

13905 Quail Pointe Drive, Suite A, Oklahoma City, Oklahoma 73134

The Authority assists the state with industrial development by mobilizing equity and near-equity capital for investment to potential creation of jobs and growth that will diversify and stabilize the economy.

### OKLAHOMA STATE UNIVERSITY MEDICAL AUTHORITY

1111 W. 17<sup>th</sup> Street, Tulsa, Oklahoma 74107

The Authority is charged with overseeing the 50-year Academic Affiliation Agreement signed between Tulsa Regional Medical Center and OSU Center for Health Sciences. The agreement provides for funding, teaching and training facilities to the graduate medical program associated with the Oklahoma State University Center for Health Sciences.



State of Oklahoma  
Combining Statement of Net Position  
NonMajor Component Units  
June 30, 2014  
(expressed in thousands)

	Oklahoma Educational Television Authority	Oklahoma Industrial Finance Authority	Health Insurance High Risk Pool	Multiple Injury Trust Fund	University Hospitals Authority	Oklahoma Development Finance Authority	Oklahoma Capital Investment Board	Oklahoma State Univ. Medical Authority	Nonmajor Component Units Total
<b>Assets</b>									
<b>Current Assets</b>									
Cash/Cash Equivalents									
Unrestricted	\$ 6,821	\$ 36,241	\$ 7,279	\$ 9,735	\$ 94,808	\$ 14,432	\$ 8	\$ 16,384	\$ 185,708
Investments	27,615	0	0	0	1,681	238	0	0	29,534
Accounts Receivable	144	0	0	0	4,654	0	0	14,168	18,966
Interest and Investment									
Revenue Receivable	33	185	0	22	13	4	0	0	257
Other Receivables	212	0	0	0	0	0	0	869	1,081
Notes Receivable	0	729	0	0	0	0	0	0	729
Due from Other Component Units	0	0	0	0	245	165	0	0	410
Due from Primary Government	0	0	0	12,862	23	29	0	0	12,914
Prepaid Items	156	0	0	0	3	0	0	2,605	2,764
Other Current Assets	0	0	0	0	0	377	0	4,643	5,020
Total Current Assets	34,981	37,155	7,279	22,619	101,427	15,245	8	38,669	257,383
<b>Noncurrent Assets</b>									
Cash/Cash Equivalents -									
Restricted	2,077	13	0	0	538	0	0	0	2,628
Investments - Restricted	0	0	0	0	885	0	12,411	0	13,296
Long-Term Notes Receivable, Net	0	6,240	0	0	0	1,179	0	0	7,419
Long-Term Investments-Unrestricted	0	17,470	0	0	0	0	0	0	17,470
<b>Capital Assets</b>									
Depreciable, Net	13,939	122	0	52	229,577	1,422	0	35,670	280,782
Land	26	0	0	0	4,009	286	0	0	4,321
Construction in Progress	0	0	0	0	19,579	0	0	3,813	23,392
<b>Other Noncurrent Assets</b>									
Unrestricted	0	0	0	0	20,090	0	0	2	20,092
Restricted	0	0	0	0	36	0	0	0	36
Total Noncurrent Assets	16,042	23,845	0	52	274,714	2,887	12,411	39,485	369,436
Total Assets	51,023	61,000	7,279	22,671	376,141	18,132	12,419	78,154	626,819
<b>Deferred Outflows</b>									
Advanced Refunding of Bonds	0	93	0	0	0	0	0	0	93
Total Deferred Outflows	0	93	0	0	0	0	0	0	93
<b>Liabilities</b>									
<b>Current Liabilities</b>									
Accounts Payable and									
Accrued Liabilities	808	0	0	15	23,934	176	0	10,241	35,174
Claims and Judgements	0	0	0	16,355	0	0	0	0	16,355
Interest Payable	0	258	0	326	0	0	76	392	1,052
Due to Other Component Units	0	0	0	18,938	219	0	0	0	19,157
Due to Primary Government	4	0	0	0	0	0	0	0	4
Capital Leases	0	0	0	0	0	0	0	589	589
Compensated Absences	198	45	0	66	0	0	0	0	309
Notes Payable	229	0	0	1,665	0	0	0	2,160	4,054
General Obligation Bonds	0	690	0	0	0	0	0	0	690
Revenue Bonds	0	11,945	0	0	1,235	0	0	0	13,180
Other Current Liabilities	12	0	0	0	162	120	0	7,414	7,708
Total Current Liabilities	1,251	12,938	0	37,365	25,550	296	76	20,796	98,272
<b>Noncurrent Liabilities</b>									
Claims and Judgements	0	0	0	333,594	0	0	0	0	333,594
Compensated Absences	110	0	0	0	0	0	0	0	110
Notes Payable	878	0	0	16,947	0	0	0	14,445	32,270
General Obligation Bonds	0	44,885	0	0	0	0	0	0	44,885
Capital Leases	0	0	0	0	0	0	0	266	266
Revenue Bonds	0	30	0	0	46,439	9,999	0	0	56,468
Other Noncurrent Liabilities	62	0	0	0	340	0	14,926	7,804	23,132
Total Noncurrent Liabilities	1,050	44,915	0	350,541	46,779	9,999	14,926	22,515	490,725
Total Liabilities	2,301	57,853	0	387,906	72,329	10,295	15,002	43,311	588,997
<b>Deferred Inflows of Resources</b>									
Deferred Revenue	0	0	0	0	88	183	0	0	271
Total Deferred Inflows	0	0	0	0	88	183	0	0	271
<b>Net Position</b>									
Invested in Capital Assets,									
Net of Related Debt	13,965	0	0	0	205,491	1,708	0	22,023	243,187
Restricted for:									
Other Special Purpose									
Expendable	2,077	13	0	0	1,459	0	0	114	3,663
Unrestricted	32,680	3,227	7,279	(365,235)	96,774	5,946	(2,583)	12,706	(209,206)
Total Net Position	\$ 48,722	\$ 3,240	\$ 7,279	\$ (365,235)	\$ 303,724	\$ 7,654	\$ (2,583)	\$ 34,843	\$ 37,644

State of Oklahoma  
Combining Statement of Activities  
NonMajor Component Units  
For the Fiscal Year Ended June 30, 2014  
(expressed in thousands)

	Program Revenues				General Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue	Payments from Primary Government	Change in Net Asset	Net Position Beginning of Year	Net Position End of Year
Nonmajor Component Units:								
Oklahoma Educational Television Authority	\$ 15,319	\$ 10,627	\$ 1,607	\$ (3,085)	\$ 3,822	\$ 737	\$ 47,985	\$ 48,722
Oklahoma Industrial Finance Authority	1,665	1,570	0	(95)	0	(95)	3,335	3,240
Health Insurance High Risk Pool	29,494	30,506	0	1,012	0	1,012	6,267	7,279
Multiple Injury Trust Fund	110,658	132	0	(110,526)	48,228	(62,298)	(302,937)	(365,235)
University Hospitals Authority	238,819	223,763	0	(15,056)	44,530	29,474	274,250	303,724
Oklahoma Development Finance Authority	1,098	1,128	0	30	0	30	7,624	7,654
Oklahoma Capital Investment Board	842	1,342	0	500	0	500	(3,083)	(2,583)
Oklahoma State Univ. Medical Authority	160,874	133,092	3,470	(24,312)	13,000	(11,312)	46,155	34,843
Total Nonmajor Component Units	\$ 558,769	\$ 402,160	\$ 5,077	\$ (151,532)	\$ 109,580	\$ (41,952)	\$ 79,596	\$ 37,644



**Other Supplementary Information**

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**Other Supplementary Information**





# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405-521.3495 • Fax: 405-521.3426

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

### TO THE GOVERNOR AND MEMBERS OF THE LEGISLATURE OF THE STATE OF OKLAHOMA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Oklahoma as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the State's basic financial statements, and have issued our report thereon dated December 31, 2014, which included an emphasis paragraph on the Multiple Injury Trust Fund for a net deficit related primarily to court awards that exceeded the apportionment of special tax revenue collected. Our report includes a reference to other auditors who audited:

- the financial statements of the Water Resources Board which represent forty-four percent of the assets, twenty-six percent of the net position and three percent of the revenues of the enterprise funds;
- the financial statements of the Oklahoma Municipal Power Authority, University of Oklahoma, University of Oklahoma – Health Sciences Center, Oklahoma State University – Foundation, Grand River Dam Authority, Oklahoma State University, Oklahoma Turnpike Authority, University of Oklahoma – Foundation, Oklahoma Housing Finance Authority, CompSource, and the Regents for Higher Education, which in the aggregate represent eighty percent of the assets, eighty-two percent of the net position and seventy-one percent of the revenues for the aggregate discretely presented component units;
- the financial statements of the Commissioners of the Land Office permanent fund, and the Tobacco Settlement Endowment permanent fund, which in the aggregate represent ninety-eight percent of the assets, ninety-eight percent of the fund balance and ninety-nine percent of the revenues of the permanent funds; and
- the financial statements of the Oklahoma Public Employees Retirement System and the Oklahoma Teachers Retirement System, which in the aggregate represent eighty-two percent of the assets, eighty-one percent of the net position and eighty-three percent of the additions of the aggregate remaining fund information.

This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### *Internal Control Over Financial Reporting*

In planning and performing our audit of the financial statements, we considered the State of Oklahoma's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Oklahoma's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will

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not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. [14-340-005 and 14-695-006]

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the State of Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***State of Oklahoma Response to Findings***

The State of Oklahoma's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The State of Oklahoma's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Audit Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is also a public document pursuant to the Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.

A handwritten signature in blue ink, appearing to read "Gary A. Jones", with a stylized flourish at the end.

GARY A. JONES, CPA, CFE  
OKLAHOMA STATE AUDITOR & INSPECTOR

December 31, 2014

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**SCHEDULE OF FINDINGS AND RESPONSES**  
**FINANCIAL STATEMENT FINDINGS**  
**(INTERNAL CONTROL)**

**Reference Number:** 14-340-005

**State Agency:** Oklahoma State Department of Health

**Fund Type:** General Fund

**Other Information:** Expenditures

**Criteria/Condition:** A basic objective of Generally Accepted Accounting Principles is to provide accurate, reliable, and timely information. In addition, a key element of internal controls is the performance of a reconciliation of funds between the agency and external records. The reconciliation process is essential because it ensures that accounting records are accurate and errors are detected and corrected in a timely manner.

The Department is not reconciling with the Office of Management and Enterprise Services (OMES) in a timely manner. We noted the fund reconciliation for the month of December 2013, and all subsequent months, were not completed during the fiscal year ended June 30, 2014. The December reconciliation was not completed until August 2014, which indicates the reconciliations have not been performed in a timely manner.

**Cause/Effect:** It appears staff turnover within the Reconciliations Unit and shifts of workloads caused the reconciliation to not be prepared in a timely manner. Financial information becomes less reliable as more time lapses between the period being reconciled and the date transactions are recorded.

**Recommendation:** We recommend the Department implement processes and procedures to ensure that monthly reconciliations are prepared no later than one month after the period that is being reconciled.

**Agency Management Response:** We concur. We also agree that staffing issues had a big impact on our schedules. We have a plan in place to get our reconciliation caught up and get on a regular schedule of timely reconciliations.

**Reference Number:** 14-695-006

**State Agency:** Oklahoma Tax Commission (the Commission)

**Fund Type:** General Fund; Agency Fund

**Other Information:** General Fund: Revenue/Expenditures; Agency Fund: Cash/Due to Others

**Criteria/Condition:** The Office of Management and Enterprise Services (OMES) Procedures Manual Chapter 500 states, in part, "Each state agency and institution authorized to use an agency clearing account shall furnish the Director of State Finance monthly reports showing the balances and transactions within each account and a reconciliation of the balance shown on the Treasurer's statement to the account balance as shown in the agency records. . . . The monthly reports shall be submitted on OSF Form Number 11. . . . These reports are designed with three parts to: (A) summarize the receipts and disbursements of the accounts by receipt and expenditure codes; (B) confirm the ending cash and investment balances; and (C) reconcile the agency's records to the State Treasurer's records, explaining any discrepancies. The reports are to be submitted whether or not transactions occurred during the month, signed by the chief fiscal officer of the reporting agency and filed with the Division of Central Accounting and Reporting not later than the 10th day of the following month."

Section 60.10.02.I. Agency Special Account Class Funding (Form 11A) Section D: Reconciliation of Agency Records to the State Accounting System of the OMES Procedures Manual issued April 9, 2014 describes the process for reconciling the PeopleSoft cash balance from Summary of Receipts and Disbursements.

The Government Accountability Office (GAO) Standards for Internal Control in the Federal Government 10.03 states, in part, "Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded."

The following OMES Form 11/11A revenue reconciliations were not completed in a timely manner:

- Two of the four months tested for the Commission's account number 1695S;
- Three of the four months tested for the Commission's account number 1695 (PeopleSoft account number 79901);
- Four of the four months tested for the Commission's account number 1695C.

Completion of the reconciliations ranged from 45 days to one year.

At year-end, the cash basis amount for cash on the Agency fund (Fund 7100) combining trial balance (CTB) and the Summary of Receipts and Disbursements did not agree with the OMES Form 11A revenue reconciliations.

**Cause/Effect:** The Commission does not have adequate internal controls in place to ensure OMES Form 11 reconciliations are performed in a timely manner. Lack of communication between state agencies and untimely reconciliations could result in errors and/or misstatements in the financial statements.

The Agency Fund cash balance on the combining trial balance (CTB) used to prepare the state-wide financial statements was understated by \$495,057,974. In addition, the net effect of the understatement to cash was that the liability account Due to Others was also understated by the same amount.

**Recommendation:** We recommend the Commission implement procedures to ensure monthly reconciliations are performed timely. In addition, we also recommend the Tax Commission have OMES make an adjustment to the State-wide Agency fund.

**Agency Management Response:** The Commission does have proper internal controls and procedures in place for timely reconciliation of OMES Form 11/11A. During FY14, the Commission had many variables that impeded our timely reconciliation of the agency special and clearing accounts mentioned above. The variables within the control of the Commission have been addressed with the addition of reconciliation staff and continued evaluation of existing processes and procedures as they apply to a changing reporting environment. The variables outside the control of the Commission relate to OTC's reliance on data and reports generated by other state agencies. Beginning with the July 2014 reconciliations, all reconciliations have been reviewed and signed within the OMES 20-day submission guidelines.

Communication between state agencies is an essential component to ensuring timely and accurate reporting. The Commission continues to work closely with all agencies in an effort to aid in the preparation of timely financial reports. The Commission submitted GAAP closing packages, which reflected the adjusted cash balance prior to the preparation of the year-end financial statement. The Commission has taken steps to improve inter-agency communication in the future by adding procedures to the monthly and year-end reconciliation process.





**Statistical Section**



**STATISTICAL SECTION  
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## Using the Statistical Section

The statistical section of the Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the state's overall financial health. The information is grouped into the following five categories.

### **Financial Trends** – Net Position by Component, Changes in Net Position, Fund Balances, and Changes in Fund Balance

These schedules contain trend information to help the reader understand how the state's financial performance and well-being have changed over time.

### **Revenue Capacity** – Personal Income by Industry, Personal Income Tax Filers and Liability by Adjusted Gross Income, and Tax Collections

These schedules contain information to help the reader assess the ability of the state to generate and collect taxes.

### **Debt Capacity** – Percentage of Annual Debt Service Expenditures for General Bonded Debt to Total Expenditures, Ratios of Outstanding Debt by Type, and Revenue Bond Coverage

These schedules present information to help the reader assess the affordability of the state's current levels of outstanding debt, its ability to issue additional debt in the future, and its ability to repay the outstanding debt.

### **Demographic and Economic Information** – Major Employers by Size, Demographic and Economic Statistics, and School Enrollments

These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place and to help make comparisons over time and with other governments.

### **Operating Information** – Government Employees by Function, Capital Asset Utilization by Function, Operating Indicators for Governmental Functions, and Additional Information and Sources of Statistical Data

These schedules contain information about the state's operations and resources to help the reader understand how the state's financial information relates to the services the state provides and the activities it performs.

*Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Report for the relevant year.*

State of Oklahoma  
Schedule of Net Position by Component  
Last Ten Fiscal Years  
(expressed in thousands)

	2005	2006	2007	2008
Governmental Activities				
Invested in capital assets, net of related debt	\$ 6,086,534	\$ 6,246,160	\$ 6,633,078	\$ 7,118,384
Restricted	1,682,789	1,887,136	2,172,697	3,368,766
Unrestricted	2,371,787	3,156,226	3,348,465	2,284,063
Total governmental activities net position	<u>10,141,110</u>	<u>11,289,522</u>	<u>12,154,240</u>	<u>12,771,213</u>
Business-type activities				
Invested in capital assets, net of related debt	161	608	1,028	771
Restricted	886,391	1,062,156	1,207,733	9,019
Unrestricted	-	202	6,961	1,283,673
Total business-type activities net position	<u>886,552</u>	<u>1,062,966</u>	<u>1,215,722</u>	<u>1,293,463</u>
Primary government				
Invested in capital assets, net of related debt	6,086,695	6,246,768	6,634,106	7,119,155
Restricted	2,569,180	2,949,292	3,380,430	3,377,785
Unrestricted	2,371,787	3,156,428	3,355,426	3,567,736
Total primary government net position	<u>\$ 11,027,662</u>	<u>\$ 12,352,488</u>	<u>\$ 13,369,962</u>	<u>\$ 14,064,676</u>

State of Oklahoma  
Fund Balances, Governmental Funds  
Last Ten Fiscal Years  
(Modified accrual basis of accounting)  
(expressed in thousands)

	2005	2006	2007	2008
General Fund				
Reserved	\$ 359,492	\$ 586,051	\$ 731,850	\$ 758,702
Unreserved	2,164,492	3,373,911	3,449,196	3,504,990
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	<u>2,523,984</u>	<u>3,959,962</u>	<u>4,181,046</u>	<u>4,263,692</u>
All Other Governmental Funds				
Reserved	1,589,641	1,748,747	2,024,316	2,052,390
Unreserved	-	-	-	-
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total All Other Governmental Funds	<u>1,589,641</u>	<u>1,748,747</u>	<u>2,024,316</u>	<u>2,052,390</u>
Total All Governmental Fund Balances	<u>\$ 4,113,625</u>	<u>\$ 5,708,709</u>	<u>\$ 6,205,362</u>	<u>\$ 6,316,082</u>



2009	2010	2011	2012	2013	2014
\$ 7,364,509	\$ 8,148,821	\$ 8,710,430	\$ 9,276,689	\$ 9,650,570	\$ 9,992,791
2,268,701	2,492,399	3,647,627	3,957,319	4,182,822	4,698,509
2,970,902	2,102,236	1,377,573	1,618,544	1,661,849	1,539,539
<u>12,604,112</u>	<u>12,743,456</u>	<u>13,735,630</u>	<u>14,852,552</u>	<u>15,495,241</u>	<u>16,230,839</u>
527	330	202	126	1,037	1,415
1,178,940	834,824	867,777	1,102,997	1,353,998	1,573,491
10,972	8,887	5,346	273,981	602,997	636,300
<u>1,190,439</u>	<u>844,041</u>	<u>873,325</u>	<u>1,377,104</u>	<u>1,958,032</u>	<u>2,211,206</u>
7,365,036	8,149,151	8,710,632	9,276,815	9,651,607	9,994,206
3,447,641	3,327,223	4,515,404	5,060,316	5,536,820	6,272,000
2,981,874	2,111,123	1,382,919	1,892,525	2,264,846	2,175,839
<u>\$ 13,794,551</u>	<u>\$ 13,587,497</u>	<u>\$ 14,608,955</u>	<u>\$ 16,229,656</u>	<u>\$ 17,453,273</u>	<u>\$ 18,442,045</u>

2009	2010	2011	2012	2013	2014
\$ 767,554	\$ 679,812	\$ -	\$ -	\$ -	\$ -
3,166,157	2,331,047	-	-	-	-
-	-	64,817	73,539	84,743	74,278
-	-	1,020,229	1,244,592	1,240,573	1,340,771
-	-	2,112,921	2,282,175	2,344,077	2,142,358
-	-	-	-	1,960	1,777
-	-	62,301	144,365	133,796	133,796
<u>3,933,711</u>	<u>3,010,859</u>	<u>3,260,268</u>	<u>3,744,671</u>	<u>3,805,149</u>	<u>3,692,980</u>
1,906,950	2,232,060	-	-	-	-
-	-	-	-	-	-
-	-	2,539,403	2,549,833	2,829,731	3,226,796
-	-	23,294	15,980	12,438	7,417
-	-	-	-	-	53,430
-	-	2,928	66,135	60,952	70,096
-	-	26,355	25,724	39,056	-
<u>1,906,950</u>	<u>2,232,060</u>	<u>2,591,980</u>	<u>2,657,672</u>	<u>2,942,177</u>	<u>3,357,739</u>
<u>\$ 5,840,661</u>	<u>\$ 5,242,919</u>	<u>\$ 5,852,248</u>	<u>\$ 6,402,343</u>	<u>\$ 6,747,326</u>	<u>\$ 7,050,719</u>

State of Oklahoma  
Changes in Net Position by Component  
Last Ten Fiscal Years  
(expressed in thousands)

	2005	2006	2007	2008
<b>Expenses</b>				
<b>Governmental Activities:</b>				
Education-General	\$ 2,751,320	\$ 2,942,969	\$ 3,285,059	\$ 3,479,319
Education-Payment to Higher Education	786,862	823,489	936,404	910,385
Government Administration	1,518,198	1,529,506	1,712,841	1,680,106
Health Services	3,096,903	3,471,042	3,954,939	4,214,407
Legal and Judiciary	175,673	197,324	213,955	222,319
Museums	11,634	33,840	17,834	32,164
Natural Resources	201,039	242,466	271,734	249,235
Public Safety and Defense	674,507	728,331	829,663	926,959
Regulatory Services	83,421	116,516	110,218	95,653
Social Services	1,664,577	1,727,808	1,797,721	1,782,333
Transportation	580,027	654,147	482,831	791,993
Interest on Long-Term Debt	47,769	68,383	69,769	74,108
Governmental Activities	11,591,930	12,535,821	13,682,968	14,458,981
<b>Business-Type Activities:</b>				
Employment Security Commission	194,373	164,954	177,914	194,549
Water Resources Board	24,636	29,829	28,015	27,016
Office of Management and Enterprise Services	-	-	-	-
Lottery Commission	92	164,862	145,028	145,951
Business-Type Activities	219,101	359,645	350,957	367,516
Total Primary Government Expenses	11,811,031	12,895,466	14,033,925	14,826,497
<b>Program Revenues</b>				
<b>Governmental Activities:</b>				
Charges for Services:				
Government Administration	188,708	200,292	215,773	222,663
Health Services	205,753	219,040	166,816	140,691
Social Services	56,351	76,898	72,674	157,818
All Others	452,317	441,250	472,406	483,933
Total Charges for Services	903,129	937,480	927,669	1,005,105
Operating Grants and Contributions	4,641,036	4,928,318	5,370,772	5,528,650
Capital Grants and Contributions	1,304	-	-	-
Total Governmental Activities	5,545,469	5,865,798	6,298,441	6,533,755
<b>Business-Type Activities:</b>				
Charges for Services:				
Employment Security Commission	328,445	311,294	271,705	227,733
Water Resources Board	41,761	35,596	52,300	37,585
Office of Management and Enterprise Services	-	-	-	-
Lottery Commission	-	205,075	215,223	214,400
Total Charges for Services	370,206	551,965	539,228	479,718
Operating Grants and Contributions	25,434	24,432	34,457	33,862
Total Business-Type Activities	395,640	576,397	573,685	513,580
Total Primary Government Revenue	5,941,109	6,442,195	6,872,126	7,047,335
<b>Net (Expense) Revenue:</b>				
Governmental Activities	(6,046,461)	(6,670,023)	(7,384,527)	(7,925,226)
Business-Type Activities	176,539	216,752	222,728	146,064
<b>Total Primary Government</b>	<b>(5,869,922)</b>	<b>(6,453,271)</b>	<b>(7,161,799)</b>	<b>(7,779,162)</b>
<b>General Revenues</b>				
<b>Governmental Activities:</b>				
Taxes	6,652,722	7,712,816	7,974,727	8,181,246
Investment Earnings	46,981	114,884	192,733	247,191
Contributions to Permanent Funds	43,504	43,684	48,839	68,018
Gain (Loss) on Sale of Assets	-	5,386	1,989	-
Special Item	-	(91,869)	-	-
Transfers	363	40,325	69,972	68,323
Total Governmental Activities	6,743,570	7,825,226	8,288,260	8,564,778
<b>Business-Type Activities:</b>				
Transfers	(363)	(40,325)	(69,972)	(68,323)
Total Business-Type Activities	(363)	(40,325)	(69,972)	(68,323)
Total General Revenues and Transfers	6,743,207	7,784,901	8,218,288	8,496,455
Change in Net Position	873,285	1,331,630	1,056,489	717,293
<b>Net Position - Beginning of Year (as restated)</b>	10,154,377	11,020,858	12,313,473	13,347,383
<b>Net Position - End of Year</b>	<b>\$ 11,027,662</b>	<b>\$ 12,352,488</b>	<b>\$ 13,369,962</b>	<b>\$ 14,064,676</b>

	2009	2010	2011	2012	2013	2014
\$	3,548,104	\$ 3,573,881	\$ 3,506,316	\$ 2,413,027	\$ 2,405,694	\$ 3,322,341
	1,074,409	1,076,248	1,065,225	1,982,235	2,003,101	1,037,785
	1,718,794	1,611,256	1,663,883	1,763,437	1,866,501	1,830,570
	4,542,241	4,750,304	4,866,858	5,432,791	5,462,257	5,766,102
	230,706	256,867	241,360	236,979	245,372	261,344
	17,507	14,572	13,539	15,455	15,916	17,691
	265,197	249,020	257,998	223,444	353,243	264,233
	951,387	811,999	850,190	825,787	820,506	863,080
	130,033	119,044	127,211	116,789	129,206	131,756
	1,976,556	2,287,486	2,269,749	2,126,879	2,222,255	2,240,638
	902,151	842,394	934,272	845,784	941,132	1,043,522
	70,026	70,549	100,363	95,097	112,030	71,270
	15,427,111	15,663,620	15,896,964	16,077,704	16,577,213	16,850,332
	533,629	1,146,720	776,001	537,575	386,399	289,959
	25,527	26,739	40,769	39,979	39,398	35,286
	-	-	-	-	843,065	925,327
	122,961	132,642	132,812	127,729	128,642	123,180
	682,117	1,306,101	949,582	705,283	1,397,504	1,373,752
	16,109,228	16,969,721	16,846,546	16,782,987	17,974,717	18,224,084
	230,663	219,412	224,414	262,488	470,067	189,569
	126,087	167,567	174,185	476,950	472,502	557,041
	190,535	198,086	171,890	62,997	26,317	61,925
	569,538	707,820	570,744	564,370	697,964	627,565
	1,116,823	1,292,885	1,141,233	1,366,805	1,666,850	1,436,100
	6,141,165	7,804,862	7,982,737	7,181,699	6,939,234	7,326,805
	-	-	-	-	-	-
	7,257,988	9,097,747	9,123,970	8,548,504	8,606,084	8,762,905
	267,591	206,763	352,458	634,373	535,290	475,453
	53,973	26,979	76,225	59,461	54,877	55,315
	-	-	-	-	860,767	941,890
	193,326	199,926	198,274	199,973	200,324	191,564
	514,890	433,668	626,957	893,807	1,651,258	1,664,222
	134,029	596,350	421,483	260,936	138,918	37,901
	648,919	1,030,018	1,048,440	1,154,743	1,790,176	1,702,123
	7,906,907	10,127,765	10,172,410	9,703,247	10,396,260	10,465,028
	(8,169,123)	(6,565,873)	(6,772,994)	(7,529,200)	(7,971,129)	(8,087,427)
	(33,198)	(276,083)	98,858	449,460	392,672	328,370
	(8,202,321)	(6,841,956)	(6,674,136)	(7,079,740)	(7,578,457)	(7,759,057)
	7,865,257	6,517,387	7,533,430	8,416,465	8,370,489	8,646,148
	141,264	45,116	117,128	80,488	68,601	59,298
	73,548	62,325	61,738	64,861	87,515	60,516
	1,316	3,816	-	-	-	-
	-	-	-	7,384	615	-
	69,826	70,315	69,574	65,880	77,745	81,020
	8,151,211	6,698,959	7,781,870	8,635,078	8,604,965	8,846,982
	(69,826)	(70,315)	(69,574)	(65,880)	(77,745)	(81,020)
	(69,826)	(70,315)	(69,574)	(65,880)	(77,745)	(81,020)
	8,081,385	6,628,644	7,712,296	8,569,198	8,527,220	8,765,963
	(120,936)	(213,312)	1,038,160	1,489,458	948,763	1,006,906
	13,915,217	13,800,809	13,570,795	14,740,198	16,504,510	17,435,139
\$	13,794,281	\$ 13,587,497	\$ 14,608,955	\$ 16,229,656	\$ 17,453,273	\$ 18,442,045

State of Oklahoma  
Changes in Fund Balances, Governmental Funds  
Last Ten Fiscal Years  
(Modified accrual basis of accounting)  
(expressed in thousands)

	2005	2006	2007	2008
<b>Revenues</b>				
Taxes:				
Income Taxes-Individual	\$ 2,410,234	\$ 2,693,548	\$ 2,654,294	\$ 2,753,040
Income Taxes-Corporate	277,265	426,725	772,668	552,193
Sales Tax	1,682,636	1,843,803	1,968,931	2,107,116
Gross Production Taxes	737,204	1,036,888	822,888	1,114,950
Motor Vehicle Taxes	574,800	584,294	609,669	604,926
Fuel Taxes	407,276	414,677	401,992	419,617
Tobacco Taxes	124,347	216,512	220,556	237,166
Insurance Taxes	81,852	76,874	104,403	100,778
Beverage Taxes	71,300	75,517	79,996	86,648
Other Taxes	285,808	343,978	339,330	204,812
Licenses, Permits and Fees	285,323	296,521	289,717	323,903
Interest and Investment Revenue	294,796	382,545	637,729	399,006
Federal Grants	4,493,290	4,770,328	5,006,861	5,503,532
Sales and Services	169,374	183,369	185,278	173,117
Other	388,193	434,451	366,988	475,020
<b>Total Revenues</b>	<b>12,283,698</b>	<b>13,780,030</b>	<b>14,461,300</b>	<b>15,055,824</b>
<b>Expenditures</b>				
Education	3,534,042	3,762,683	4,218,333	4,387,428
Government Administration	1,478,107	1,607,212	1,604,462	1,694,758
Health Services	3,144,918	3,447,085	3,936,893	4,200,188
Legal and Judiciary	170,337	190,644	207,229	215,942
Museums	11,171	30,316	17,045	31,586
Natural Resources	191,514	231,616	238,075	263,551
Public Safety and Defense	628,901	674,494	773,813	876,660
Regulatory Services	81,333	114,871	108,231	93,438
Social Services	1,589,397	1,697,057	1,758,475	1,755,810
Transportation	146,013	224,885	173,532	286,540
Capital Outlay	673,562	768,003	918,055	1,010,262
Debt Service				
Principal Retirement	31,550	98,512	103,606	126,103
Interest and fiscal Charges	47,769	68,383	69,769	74,108
<b>Total Expenditures</b>	<b>11,728,614</b>	<b>12,915,761</b>	<b>14,127,518</b>	<b>15,016,374</b>
Revenues in Excess of (Less Than) Expenditures	555,084	864,269	333,782	39,450
<b>Other Financing Sources (Uses)</b>				
Transfers In	4,439	50,405	80,606	76,576
Transfers Out	(4,076)	(10,080)	(10,634)	(8,253)
Bonds Issued	47,940	614,400	6,430	23,000
Notes Issued	-	48,875	95,675	-
Refunding Bonds Issued	118,825	-	-	-
Bond Issue Premiums	8,497	14,562	4,573	-
Bond Issue Discounts	(421)	(975)	(82)	-
Payment to Refunded Bond Escrow Agent	(126,670)	-	-	-
Capital Leases and Certificates of Participation	311	248	2,501	2,873
Sale of Capital Assets	11,764	13,191	7,613	7,860
<b>Total Other Financing Sources (Uses)</b>	<b>60,609</b>	<b>730,626</b>	<b>186,682</b>	<b>102,056</b>
<b>Net Changes in Fund Balances</b>	<b>615,693</b>	<b>1,594,895</b>	<b>520,464</b>	<b>141,506</b>
Fund Balances - Beginning of Year (as restated)	3,497,932	4,113,814	5,684,898	6,174,576
Fund Balances - End of Year	\$ 4,113,625	\$ 5,708,709	\$ 6,205,362	\$ 6,316,082
Debt Service as a Percentage of Noncapital Expenditures	0.7%	1.4%	1.3%	1.4%

2009	2010	2011	2012	2013	2014
\$ 2,537,221	\$ 1,969,264	\$ 2,393,660	\$ 2,739,864	\$ 2,855,509	\$ 2,855,601
449,910	171,555	328,007	413,113	595,249	408,665
2,190,082	1,981,220	2,191,643	2,400,354	2,523,098	2,598,873
1,136,279	702,949	786,827	885,038	513,350	657,476
585,084	551,029	633,107	693,524	686,540	778,694
397,852	384,383	399,011	416,940	408,507	419,084
254,006	234,540	267,948	281,754	272,123	250,228
105,076	87,805	113,948	124,651	145,437	167,444
90,071	83,673	94,352	99,567	105,316	108,830
119,946	350,969	324,927	361,660	265,359	401,253
357,226	356,321	403,355	597,471	627,229	671,822
89,296	476,597	699,254	336,295	509,424	692,697
6,227,575	7,456,421	7,499,163	6,934,571	6,647,031	6,746,151
201,307	184,977	166,595	190,782	174,524	200,087
570,192	780,630	521,796	614,344	865,018	508,810
15,311,123	15,772,333	16,823,593	17,089,928	17,193,714	17,465,715
4,619,951	4,648,786	4,572,304	4,395,104	4,406,724	4,359,511
1,631,219	1,560,521	1,634,351	1,741,287	1,857,921	2,204,090
4,525,993	4,737,363	4,851,630	5,436,158	5,447,207	5,745,842
225,225	248,996	232,245	231,292	239,421	250,376
16,903	14,993	13,801	14,281	14,915	14,532
271,487	279,830	250,174	211,946	337,867	246,556
915,880	755,376	798,995	764,714	768,059	798,173
127,803	117,821	115,076	111,911	122,354	128,460
1,933,117	2,259,473	2,252,188	2,091,972	2,196,864	2,214,898
199,517	177,683	182,708	208,009	212,248	225,768
1,438,064	1,626,181	1,551,017	1,302,447	1,104,103	894,684
95,155	111,816	118,163	98,831	221,187	361,488
70,026	70,549	72,074	95,097	112,030	71,269
16,070,340	16,609,388	16,644,726	16,703,049	17,040,900	17,515,647
(759,217)	(837,055)	178,867	386,879	152,814	(49,932)
77,371	84,362	71,919	73,168	67,955	81,020
(7,545)	(14,047)	(2,345)	(7,287)	-	-
105,400	148,080	559,045	68,805	22,795	235,505
98,230	-	-	-	-	-
-	-	-	6,140	67,555	-
2,478	2,671	38,627	11,282	8,099	25,679
(730)	-	-	(35)	(121)	-
-	-	(246,044)	-	-	-
3,655	8,116	2,640	5,659	5,256	322
5,832	10,142	7,601	8,139	11,928	10,798
284,691	239,324	431,443	165,871	183,467	353,324
<b>(474,526)</b>	<b>(597,731)</b>	<b>610,310</b>	<b>552,750</b>	<b>336,281</b>	<b>303,392</b>
6,315,187	5,840,650	5,241,938	5,849,593	6,411,045	6,747,327
\$ 5,840,661	\$ 5,242,919	\$ 5,852,248	\$ 6,402,343	\$ 6,747,326	\$ 7,050,719
1.1%	1.2%	1.3%	1.3%	2.1%	2.6%

State of Oklahoma  
Personal Income by Industry  
Last Ten Years  
(expressed in millions)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Total Personal Income</b>	\$ 98,095	\$ 106,111	\$ 115,960	\$ 126,280	\$ 131,070	\$ 132,144	\$ 133,149	\$ 142,862	\$ 154,958	\$ 161,188
Farm Earnings	917	870	401	486	828	110	955	881	1,253	1,128
Nonfarm Earnings	72,218	78,528	85,495	91,723	93,894	93,158	92,177	101,345	108,094	113,571
<b>Private Earnings</b>	<b>56,529</b>	<b>61,924</b>	<b>67,681</b>	<b>72,903</b>	<b>73,787</b>	<b>71,887</b>	<b>70,174</b>	<b>79,024</b>	<b>87,058</b>	<b>92,367</b>
Agriculture Services, Forestry	177	189	186	203	203	199	193	273	244	268
Mining, Oil & Natural Gas Extraction	4,549	6,389	8,265	8,634	7,963	8,528	5,813	9,467	14,809	14,736
Utilities	1,444	1,274	1,385	1,721	1,309	1,473	1,407	1,468	1,537	1,573
Construction	3,533	3,806	4,112	4,154	4,722	4,383	4,861	5,390	6,381	7,296
Manufacturing - Durable	5,164	5,270	5,759	6,020	6,266	5,389	5,717	5,907	6,486	6,725
Manufacturing - Nondurable	5,293	6,907	7,185	8,533	5,734	5,476	3,240	3,675	3,500	3,839
Wholesale Trade	2,938	3,209	3,548	3,745	4,060	3,727	3,667	4,026	4,298	4,559
Retail Trade	5,096	5,311	5,578	5,746	6,255	5,810	6,414	6,749	7,080	7,329
Transportation and Warehousing	2,776	2,865	3,260	3,484	3,732	3,698	3,931	5,063	4,316	5,739
Services	25,559	26,704	28,403	30,663	33,543	33,204	34,931	37,006	38,407	40,303
<b>Government</b>	<b>15,689</b>	<b>16,604</b>	<b>17,814</b>	<b>18,820</b>	<b>20,107</b>	<b>21,271</b>	<b>22,003</b>	<b>22,321</b>	<b>21,036</b>	<b>21,204</b>
Federal, civilian	3,696	3,816	4,001	4,170	4,193	4,467	4,797	4,884	4,409	4,277
Military	2,265	2,393	2,621	2,691	2,825	3,024	3,261	3,240	2,438	2,355
State and Local	9,728	10,395	11,192	11,959	13,089	13,780	13,945	14,197	14,189	14,572
Highest Personal Income Tax Rate	7.00%	6.65%	5.65%	5.65%	5.50%	5.50%	5.50%	5.50%	5.25%	5.25%
Corporate Income Tax Rate	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

Source: U. S. Department of Commerce, Bureau of Economic Analysis, and the Oklahoma Tax Commission.  
Data is the latest available at time of printing.

State of Oklahoma  
 Personal Income Tax Filers and Liability by Adjusted Gross Income  
 Calendar (Tax) Years 2012 and 2003

Calendar Year 2012				
<u>Adjusted Gross Income Level</u>	<u>Number of Filers</u>	<u>Percentage of Total</u>	<u>Personal Income Tax Liability</u>	<u>Percentage of Total</u>
\$100,001 and higher	217,231	13%	\$1,435,571,831	54%
\$75,001 - \$100,000	127,768	8%	\$356,431,568	14%
\$50,001 - \$75,000	215,166	13%	\$397,421,950	15%
\$25,001 - \$50,000	411,938	23%	\$353,781,496	13%
\$10,001 - \$25,000	407,085	24%	\$70,130,649	3%
\$10,000 and lower	314,001	19%	\$735,402	1%
Total	<u>1,693,189</u>	100%	<u>\$2,614,072,896</u>	100%

Calendar Year 2003				
<u>Adjusted Gross Income Level</u>	<u>Number of Filers</u>	<u>Percentage of Total</u>	<u>Personal Income Tax Liability</u>	<u>Percentage of Total</u>
\$100,001 and higher	87,323	6%	\$707,422,261	35%
\$75,001 - \$100,000	79,448	6%	\$291,884,743	14%
\$50,001 - \$75,000	170,096	12%	\$429,967,864	21%
\$25,001 - \$50,000	345,644	25%	\$445,211,634	22%
\$10,001 - \$25,000	392,266	28%	\$144,278,549	7%
\$10,000 and lower	320,965	23%	\$10,073,059	1%
Total	<u>1,395,742</u>	100%	<u>\$2,028,838,110</u>	100%

Source: Oklahoma Tax Commission

# State of Oklahoma

## Tax Collections

### For Last Ten Years

Taxes	2005	2006	2007	2008
Aircraft Excise Tax	\$ 3,839,124	\$ 2,781,702	\$ 4,894,881	\$ 4,756,533
Alcoholic Beverage Excise Tax	26,311,626	18,368,824	19,298,490	20,898,973
Beverage Tax	23,735,552	24,253,880	24,876,901	25,337,878
Bingo Tax	4,051,661	1,640,473	1,088,643	491,681
Business Activity Tax	-	-	-	-
Charity Games Tax	308,613	136,253	107,404	71,363
Cigarette Tax	95,450,565	176,915,506	197,416,262	202,745,622
City Use Tax - Collect/Deposit	660,926	790,748	897,305	1,069,561
Coin Operated Device Decal	4,159,453	2,811,672	3,560,571	3,512,188
Controlled Dangerous Substance Tax	6,653	23,564	19,295	17,766
County Tax (Use & Lodging)	125,697	150,697	192,820	213,985
Diesel Fuel Excise Tax	102,260,840	72,494,201	60,427,734	69,806,535
Documentary Stamp Tax	14,000,568	16,768,900	17,153,783	16,584,410
Farm Implement Tax Stamps	7,010	5,870	6,305	8,324
Franchise Tax	40,671,476	41,476,258	43,068,528	46,103,569
Freight Car Tax	765,646	755,298	782,258	676,250
Fuels Excise Tax	-	-	-	-
Gaming Exclusivity Fees	1,653,098	14,191,695	43,618,582	79,779,165
Gasoline Excise Tax	301,720,983	219,279,433	207,928,969	207,968,692
Gross Production Tax - Oil and Gas	751,196,057	880,226,067	787,621,631	950,392,198
Horse Track Gaming	-	3,145,867	10,019,698	10,429,536
Income Tax (Individual)	2,469,593,556	2,761,624,929	2,774,850,747	2,778,617,535
Income Tax (Corporate)	168,889,848	304,381,318	554,759,229	359,823,533
Inheritance and Estate Tax	75,708,394	81,923,012	69,312,845	52,416,680
Insurance Premium Tax	139,575,679	129,587,854	159,816,876	161,504,757
Mixed Beverage Gross Receipts Tax	20,950,603	23,378,598	25,754,035	29,749,193
Occupational Health and Safety Tax	1,791,197	1,919,509	2,263,308	2,311,554
Pari-Mutuel Taxes	1,827,015	1,638,435	1,834,816	1,811,980
Pari-Mutuel - Other Tax	13,836	14,948	18,645	33,155
Petroleum Excise Tax	11,310,702	15,540,837	13,214,922	15,861,718
Rural Electric Co-operative Tax	17,306,353	1,249,543	1,448,501	1,488,051
Sales Tax	1,546,643,407	1,677,854,488	1,790,192,096	1,913,387,580
Sales Tax - City	10,327,761	12,798,204	13,735,769	12,425,284
Sales Tax - County	1,865,652	2,208,807	2,853,056	2,583,542
Special Fuel Decal	268,856	221,878	719,261	320,595
Special Fuel Use Tax	18,719	990,474	1,461,588	1,423,614
Tag Agent Remittance Tax	553,892,770	261,355,513	277,606,225	307,223,643
Telephone Surcharge	978,355	953,770	925,799	917,690
Tobacco Products Tax	17,199,744	23,970,831	23,700,748	24,311,479
Tourism Gross Receipt Tax	4,801,137	5,175,280	5,532,552	1,163,187
Tribal Compact in Lieu of Tax Payments	15,099,194	20,383,536	22,734,204	28,031,272
Unclaimed Property Assessment	52,245,461	10,829,856	11,849,607	11,756,295
Unclassified Tax Receipts	41,819	62,370	135,530	278,502
Use Tax	114,197,882	133,775,850	155,857,219	167,314,341
Vehicle Revenue Tax Stamps	43,908	45,452	46,074	46,769
Workers' Compensation Awards - Assessments	26,242,427	31,319,198	31,355,388	22,427,205
Workers' Compensation Insurance Premium Tax	6,617,592	7,259,704	7,652,100	7,622,856
Other Taxes	20,791,539	18,902,571	17,453,681	19,685,781
Total	\$ 6,649,168,954	\$ 7,005,583,673	\$ 7,390,064,881	\$ 7,565,402,020

Prepared using cash basis to aid in budgetary analysis.

Source: Oklahoma Tax Commission as adjusted.



2009	2010	2011	2012	2013	2014
\$ 4,172,388	\$ 4,234,993	\$ 4,358,022	\$ 5,884,147	\$ 4,910,204	\$ 4,074,978
21,886,066	21,905,099	22,777,383	23,614,156	25,553,610	26,372,098
26,359,749	25,303,290	24,934,826	24,979,667	24,653,353	23,896,702
222,436	140,859	136,038	132,086	127,801	105,890
-	-	4,869,667	50,733,207	45,051,074	33,395,208
51,222	54,607	20,623	28,177	42,535	34,835
204,236,542	196,519,460	215,941,799	227,840,813	210,231,001	195,926,775
958,607	1,002,399	1,000,347	1,259,015	1,229,331	1,313,014
3,956,591	3,111,604	2,197,531	4,044,697	4,191,200	3,602,660
33,260	20,674	30,586	34,874	57,556	72,283
219,223	194,713	237,749	280,394	314,817	357,102
72,681,342	71,963,557	69,230,643	77,027,777	73,785,574	80,309,870
13,307,236	11,090,994	10,981,645	11,991,469	15,282,903	15,763,766
8,287	6,397	8,033	8,328	10,818	11,611
46,908,656	46,714,746	32,647,715	758,202	540,824	1,126,420
707,694	530,685	619,364	665,287	717,516	837,888
-	-	49,665	-	-	-
104,803,681	118,624,111	123,560,707	124,300,610	129,286,255	123,376,190
206,287,240	208,545,441	197,712,177	206,179,731	203,403,445	202,091,479
976,062,637	579,700,531	631,755,429	724,903,048	373,494,633	477,781,300
13,727,728	13,710,940	16,915,904	18,612,058	20,483,704	20,615,037
2,605,269,216	2,230,787,128	2,385,413,131	2,723,887,073	2,844,880,206	2,835,207,273
376,971,517	212,866,850	330,905,421	412,808,773	594,181,209	408,109,649
43,803,931	23,433,845	5,661,243	1,814,854	135,523	873,332
165,916,913	141,255,690	170,627,316	199,620,667	213,675,180	223,090,507
31,554,602	32,494,306	35,344,321	39,241,847	43,357,002	46,127,916
2,521,511	2,757,188	2,672,792	3,027,902	2,681,651	2,597,953
1,647,939	1,265,853	1,117,663	1,272,843	1,287,912	1,168,333
18,178	28,721	11,155	7,633	9,352	6,961
16,010,447	11,045,779	13,077,225	14,309,381	12,450,983	16,135,417
1,602,814	1,521,744	1,642,867	1,770,676	1,842,173	2,055,243
1,989,494,833	1,806,049,515	1,982,182,368	2,165,311,137	2,275,444,163	2,335,326,717
13,720,926	13,113,139	12,948,170	14,906,819	15,541,756	14,952,187
2,851,342	2,715,907	2,853,587	3,304,647	3,374,051	3,328,337
315,226	355,578	503,848	396,838	460,204	450,950
1,438,287	1,498,427	1,522,816	1,539,054	1,421,676	1,485,281
261,581,867	247,546,872	307,579,624	348,562,103	330,838,092	388,643,946
885,980	837,385	796,832	722,113	719,897	634,760
26,073,091	27,045,416	30,947,514	34,415,644	37,643,515	40,243,152
2,946	-	-	-	-	-
43,708,777	47,165,891	40,180,597	41,910,495	43,741,973	31,908,905
11,444,647	11,418,562	9,424,634	12,083,796	10,575,619	10,235,907
510,559	274,693	188,102	366,977	49,413	43
191,222,671	152,323,434	176,061,390	206,228,223	221,082,285	237,162,483
39,793	37,247	40,797	43,650	51,598	47,408
23,056,945	23,440,505	25,534,690	22,723,364	34,801,759	55,465,606
7,567,468	7,452,455	8,802,817	8,693,887	9,949,807	10,210,365
19,825,879	19,113,157	21,172,515	23,170,322	28,001,415	32,368,659
<u>\$ 7,535,648,889</u>	<u>\$ 6,321,220,387</u>	<u>\$ 6,927,199,288</u>	<u>\$ 7,785,418,461</u>	<u>\$ 7,861,566,568</u>	<u>\$ 7,908,902,396</u>

State of Oklahoma  
Percentage of Annual Debt Service Expenditures  
for General Bonded Debt to Total Expenditures  
Governmental Funds  
For Last Ten Years  
(Expressed in thousand)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt Service										
Principal Retirement	\$ 31,550	\$ 98,512	\$ 103,606	\$ 126,103	\$ 95,155	\$ 111,816	\$ 118,163	\$ 98,831	\$ 221,187	\$ 361,488
Interest and Fiscal Charges	47,769	68,383	69,769	74,108	70,026	70,549	72,074	95,097	112,030	71,269
<b>Total Debt Service</b>	<b>79,319</b>	<b>166,895</b>	<b>173,375</b>	<b>200,211</b>	<b>165,181</b>	<b>182,365</b>	<b>190,237</b>	<b>193,928</b>	<b>333,217</b>	<b>432,757</b>
<b>Total Expenditures</b>	<b>\$ 11,728,614</b>	<b>\$ 12,915,761</b>	<b>\$ 14,127,518</b>	<b>\$ 15,016,374</b>	<b>\$ 16,070,340</b>	<b>\$ 16,609,388</b>	<b>\$ 16,644,726</b>	<b>\$ 16,703,049</b>	<b>\$ 17,040,900</b>	<b>\$ 17,515,648</b>
<b>Ratio</b>	<b>0.676%</b>	<b>1.292%</b>	<b>1.227%</b>	<b>1.333%</b>	<b>1.028%</b>	<b>1.098%</b>	<b>1.143%</b>	<b>1.161%</b>	<b>1.955%</b>	<b>2.471%</b>

State of Oklahoma  
Ratios of Outstanding Debt by Type-  
Primary Government  
Last Ten Fiscal Years  
(expressed in thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Governmental Activities Debt:</b>										
General Obligation Bonds	\$ 261,210	\$ 247,500	\$ 233,510	\$ 218,955	\$ 203,755	\$ 188,030	\$ 175,645	\$ 175,645	\$ 136,585	\$ 131,955
General Obligation Bonds as a Percentage of General Revenue <sup>a</sup>	3.87%	3.16%	2.82%	2.56%	2.50%	2.81%	2.26%	2.03%	1.59%	1.49%
Per Capita (actual-not in thousands) <sup>b</sup>	\$ 74	\$ 69	\$ 65	\$ 60	\$ 55	\$ 50	\$ 46	\$ 46	\$ 36	\$ 34
Revenue bonds	668,091	1,208,646	1,137,350	1,061,570	1,099,625	1,173,025	1,428,820	1,424,555	1,353,449	1,255,988
Notes Payable	97,869	136,966	221,898	211,570	299,266	246,623	229,929	212,592	194,560	173,985
Certificates of Participation	57	-	-	-	-	-	-	-	-	-
Capital Leases	4,161	3,287	4,641	5,082	6,650	12,553	12,719	8,710	10,712	8,271
Total Governmental Activities	1,031,388	1,596,399	1,597,399	1,497,177	1,609,296	1,620,231	1,847,113	1,821,502	1,695,306	1,570,199
<b>Business-Type Activities Debt:</b>										
Revenue Bonds	\$ 701,364	\$ 653,070	\$ 580,049	\$ 544,900	\$ 502,901	\$ 599,984	\$ 759,493	\$ 832,597	\$ 931,413	\$ 801,159
Total Primary Government	1,732,752	2,249,469	2,177,448	2,042,077	2,112,197	2,220,215	2,606,606	2,654,099	2,626,719	2,371,358
Total Primary Government Debt as a Percentage of Personal Income <sup>c</sup>	1.62%	1.92%	1.72%	1.60%	1.60%	1.66%	1.92%	1.84%	1.68%	1.46%
Per Capita (actual-not in thousands) <sup>b</sup>	\$ 488	\$ 629	\$ 602	\$ 559	\$ 575	\$ 595	\$ 679	\$ 694	\$ 684	\$ 618

<sup>a</sup> General Revenue values can be found in the Changes in Net Position statistics schedule.

<sup>b</sup> Population data can be found in the Demographic and Economic Statistics schedule. The amount for the current year is estimated. Population data for the current year was unavailable at printing.

<sup>c</sup> Debt by Type information can be found in the notes to the financial statements. The percentage for the current year is estimated. Current year personal income data was unavailable at printing.

State of Oklahoma  
Revenue Bond Coverage  
Enterprise Fund and Component Units  
For the Last Ten Fiscal Years  
(expressed in thousands)

	Fiscal Year Ended	Gross Revenues (1)	Operating Expenses (2)	Net Revenues for Debt Service	Debt Service Requirements	Debt Serv. Coverage
<b>COMPONENT UNITS:</b>						
<b>Oklahoma Student Loan Authority</b> (June 30 year end)	2014	\$ 14,229	\$ 9,720	\$ 4,509	\$ 5,251	0.86
	2013	19,195	9,319	9,876	7,002	1.41
	2012	16,201	2,134	14,067	6,823	2.06
	2011	19,831	(296)	20,127	7,734	2.60
	2010	19,858	(1,993)	21,851	42,601	0.51
	2009	39,625	867	38,758	94,891	0.41
	2008	60,391	958	59,433	95,588	0.62
	2007	65,329	887	64,442	41,813	1.54
	2006	50,446	1,431	49,015	56,296	0.87
	2005	33,029	3,979	29,050	30,846	0.94
<b>Oklahoma Housing Finance Agency</b> (September 30 year end)	2013	\$ 18,003	\$ 19,773	\$ (1,770)	\$ 115,088	-0.02
	2012	47,532	14,855	32,678	88,459	0.37
	2011	63,923	14,131	49,792	69,559	0.72
	2010	64,490	15,346	49,144	44,125	1.11
	2009	83,223	14,233	68,990	104,808	0.66
	2008	67,511	13,402	54,109	72,439	0.75
	2007	54,416	12,831	41,585	54,104	0.77
	2006	36,019	12,278	23,741	50,091	0.47
	2005	33,503	11,525	21,978	76,490	0.29
	2004	39,740	11,870	27,870	117,072	0.24
<b>Oklahoma Turnpike Authority</b> (December 31 year end)	2013	\$ 242,226	\$ 81,593	\$ 160,633	\$ 91,893	1.75
	2012	241,379	86,706	154,674	101,570	1.52
	2011	235,369	87,918	147,451	99,141	1.49
	2010	237,047	72,396	164,651	100,389	1.64
	2009	217,158	70,915	146,243	99,555	1.47
	2008	273,732	75,320	198,412	94,143	2.11
	2007	212,380	70,197	142,183	89,604	1.59
	2006	208,835	64,819	144,016	82,546	1.74
	2005	203,372	59,883	143,489	91,624	1.57
	2004	195,710	53,340	142,370	91,799	1.55
<b>Grand River Dam Authority</b> (December 31 year end)	2013	\$ 432,799	\$ 251,386	\$ 181,413	\$ 134,919	1.34
	2012	423,614	272,188	151,425	135,799	1.12
	2011	418,551	254,480	164,071	136,623	1.20
	2010	398,415	196,671	201,744	142,448	1.42
	2009	340,341	214,758	125,583	124,702	1.01
	2008	346,067	156,179	189,888	68,780	2.76
	2007	314,287	127,530	186,757	99,214	1.88
	2006	300,888	181,698	119,190	100,131	1.19
	2005	289,868	164,443	125,425	100,986	1.24
	2004	235,641	121,399	114,242	101,869	1.12
<b>Oklahoma Municipal Power Authority</b> (December 31 year end)	2013	\$ 179,321	\$ 135,198	\$ 44,123	\$ 39,685	1.11
	2012	175,506	124,308	51,198	43,857	1.17
	2011	175,983	126,187	49,796	44,848	1.11
	2010	163,991	117,610	46,381	40,299	1.15
	2009	153,534	113,568	39,966	35,494	1.13
	2008	158,006	122,828	35,178	36,346	0.97
	2007	153,391	119,268	34,123	32,730	1.04
	2006	167,944	132,472	35,472	30,265	1.17
	2005	170,128	133,730	36,398	32,779	1.11
	2004	139,703	102,548	37,155	31,813	1.17

	Fiscal Year Ended	Gross Revenues (1)	Operating Expenses (2)	Net Revenues for Debt Service	Debt Service Requirements	Debt Serv. Coverage
<b>Higher Education</b>	2014	\$ 5,015,949	\$ 4,107,758	\$ 908,191	\$ 274,979	3.30
(June 30 year end)	2013	5,953,195	3,944,790	2,008,405	147,220	13.64
	2012	5,389,947	3,932,409	1,457,538	148,780	9.80
	2011	4,722,834	3,562,033	1,160,801	207,268	5.60
	2010	4,177,035	3,670,063	506,972	303,612	1.67
	2009	3,831,790	3,636,123	195,667	95,303	2.05
	2008	4,109,380	3,365,616	743,764	69,859	10.65
	2007	3,950,840	3,201,403	749,437	194,053	3.86
	2006	3,726,961	3,004,968	721,993	117,155	6.16
	2005	3,193,703	2,697,338	496,365	60,609	8.19
<b>ENTERPRISE FUND:</b>						
<b>Oklahoma Water Resources Board</b>	2014	\$ 20,600	\$ 1,287	\$ 19,313	\$ 50,395	0.38
(June 30 year end)	2013	20,128	1,427	18,701	56,376	0.33
	2012	17,580	1,036	16,544	40,532	0.41
	2011	14,705	1,529	13,176	34,638	0.38
	2010	12,885	1,126	11,759	34,162	0.34
	2009	12,069	807	11,262	40,149	0.28
	2008	13,523	823	12,700	36,575	0.35
	2007	14,992	781	14,211	140,922	0.10
	2006	14,815	1,813	13,002	59,607	0.22
	1999	11,932	1,000	10,932	28,188	0.39

(1) Gross revenues including interest and investment income, but excluding revenues restricted to other debt.

(2) Operating expenses, exclusive of depreciation and operating interest (where applicable)

- Revenue bond coverage is not intended to portray compliance with bond indenture agreements.

- Debt service requirements do not include one time debt service payments from refunding bonds.

State of Oklahoma  
Major Employers by Size  
Non-Government  
For years 2004 and 2013

Non-Governmental Major Employers 2004	Non-Governmental Major Employers 2013	Employment 2013	Percentage of Total State Employment 2013
AMR Corp.	Wal-Mart Stores, Inc.	31,500	1.83%
Hillcrest Healthcare System	Integris Health, Inc.	8,500	0.49%
Integris Health	Saint Francis Hospital, Inc.	6,000	0.35%
Sonic Industries, Inc.	Saint John Medical Center, Inc.	6,000	0.35%
Wal-Mart Stores, Inc.	American Airlines, Inc.	5,500	0.32%
Conoco Phillips	W. H. Braum, Inc.	5,500	0.32%
General Motors Corporation	Hobby Lobby Stores	5,500	0.32%
HCA Healthcare	Chesapeake Energy Corporation	4,500	0.26%
Hertz Corporation	Express Employment Professionals	4,500	0.26%
Saint Francis Hospital	Lowe's Home Centers, Inc.	4,500	0.26%

*Source: Oklahoma Department of Commerce*

*Note: The information above is compiled by the Department of Commerce and is the latest available at the date of publication.*

# State of Oklahoma

## Demographic and Economic Statistics

### Last Ten Fiscal Years

Year	Population <sup>a</sup> (in thousands)				Personal Income <sup>a</sup> (in millions)	Per Capita Personal Income <sup>a</sup>			Civilian Labor Force <sup>b</sup>		
	U. S.	Change from Prior Period	State of Oklahoma	Change from Prior Period	State of Oklahoma	U. S.	State of Oklahoma	Oklahoma as a Percentage of U.S.	Employed	Unemployed	Unemployment Rate
2004	292,892	0.92%	3,512	0.46%	101,179	33,899	28,810	84.99%	1,608,525	87,991	5.2%
2005	295,561	0.91%	3,530	0.51%	107,641	35,447	30,492	86.02%	1,626,191	78,410	4.6%
2006	298,363	0.95%	3,568	1.08%	118,747	37,728	33,280	88.21%	1,647,755	69,844	4.1%
2007	301,290	0.98%	3,608	1.12%	123,889	39,430	34,336	87.08%	1,657,767	76,688	4.4%
2008	304,060	0.92%	3,642	0.94%	131,070	40,208	35,985	89.50%	1,682,000	71,000	4.1%
2009	307,007	0.97%	3,687	1.24%	132,144	39,626	35,840	90.45%	1,660,000	114,000	6.4%
2010	309,350	0.76%	3,762	2.03%	133,149	39,945	35,396	88.61%	1,631,000	124,000	7.1%
2011	311,592	0.72%	3,792	0.80%	142,862	41,560	37,679	90.66%	1,662,000	109,000	6.2%
2012	313,914	0.75%	3,815	0.61%	154,958	43,735	40,620	92.88%	1,709,000	94,000	5.2%
2013	316,129	0.71%	3,851	0.94%	161,188	44,765	41,861	93.51%	1,718,000	99,000	5.4%

<sup>a</sup> source U.S. Bureau of Economic Analysis as adjusted

<sup>b</sup> source Oklahoma Employment Security Commission and U.S. Bureau of Labor Statistics as adjusted

*Note: The information above is the latest available at the date of publication.*

# State of Oklahoma

## School Enrollments

For the Years 2004 through 2013

<u>Public School Enrollments:</u>	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Early childhood	26,297	29,685	33,418	34,378	35,270	37,726	39,784	40,688	37,929	40,121
Kindergarten	42,603	44,193	48,667	49,362	49,306	50,497	51,037	52,114	52,339	54,649
Elementary School	231,626	230,323	255,144	236,130	239,446	242,668	246,305	248,398	252,235	266,499
Junior High School	113,080	112,771	117,026	137,251	136,059	135,889	138,626	140,964	130,505	141,539
Senior High School	148,816	149,585	157,248	178,292	178,400	176,679	177,366	175,949	173,193	154,144
No-High School Districts (Grades 1-8)	16,669	16,421	19,435	20,743	22,603	24,090	23,938	23,596	23,549	17,215
Special Education (Ungraded)	3,161	2,499	3,802	3,978	3,584	1,649	1,684	1,798	1,535	1,542
Out-of-Home Placements	1,674	1,687	1,777	1,854	1,635	1,806	1,720	1,915	1,905	1,616
Total <sup>^</sup>	<u>583,926</u>	<u>587,164</u>	<u>636,516</u>	<u>661,988</u>	<u>666,303</u>	<u>671,004</u>	<u>680,460</u>	<u>685,422</u>	<u>673,190</u>	<u>677,325</u>
<u>Higher Education:</u>										
Public Institutions	230,090	237,455	235,730	233,371	235,388	250,673	255,503	256,213	251,096	236,865
Private Institutions	<u>27,125</u>	<u>24,661</u>	<u>24,060</u>	<u>24,070</u>	<u>25,278</u>	<u>21,945</u>	<u>25,856</u>	<u>26,830</u>	<u>27,708</u>	<u>26,175</u>
Total	<u>257,215</u>	<u>262,116</u>	<u>259,790</u>	<u>257,441</u>	<u>260,666</u>	<u>272,618</u>	<u>281,359</u>	<u>283,043</u>	<u>278,804</u>	<u>263,040</u>
<u>Career-Technology Education:</u>										
Secondary *	151,833	151,703	154,857	160,310	156,755	154,492	148,831	148,831	151,720	149,501
Adult	<u>357,619</u>	<u>375,790</u>	<u>404,260</u>	<u>407,597</u>	<u>378,772</u>	<u>345,016</u>	<u>354,949</u>	<u>354,949</u>	<u>376,783</u>	<u>372,687</u>
Total	<u>509,452</u>	<u>527,493</u>	<u>559,117</u>	<u>567,907</u>	<u>535,527</u>	<u>499,508</u>	<u>503,780</u>	<u>503,780</u>	<u>528,503</u>	<u>522,188</u>

\* These students may also be included in public school enrollments above.

Sources: Department of Education, Regents for Higher Education, and Department of Vocational and Technical education.

State of Oklahoma  
Government Employees by Function  
Fiscal Years 2004 through 2013  
(excluding Higher Education)

	2004	2005 <sup>a</sup>	2006 <sup>a</sup>	2007 <sup>a</sup>	2008 <sup>a</sup>	2009 <sup>a</sup>	2010 <sup>a</sup>	2011 <sup>a</sup>	2012 <sup>a</sup>	2013 <sup>a</sup>
<b>Function:</b>										
Education	1,079	1,026	1,002	993	1,052	1,043	963	864	832	836
Government Administration	2,443	1,993	2,105	2,023	2,312	2,297	2,324	2,036	2,275	2,828
Health Services	4,195	3,998	4,709	4,719	4,977	4,920	4,550	4,403	4,254	4,337
Legal and Judiciary	582	341	444	745	2,345	2,335	2,316	2,216	2,276	2,275
Museums	187	158	164	164	176	168	158	151	149	151
Natural Resources	3,382	2,704	2,010	1,973	2,570	2,547	2,418	2,356	2,292	2,266
Public Safety and Defense	7,212	6,911	8,835	8,524	7,287	7,224	6,857	6,428	6,311	6,320
Regulatory Services	1,417	1,244	1,839	1,625	1,376	1,368	1,328	1,291	1,280	1,289
Social Services	13,043	12,197	11,810	11,303	12,191	12,635	12,027	11,674	11,033	10,960
Transportation	3,001	2,945	3,027	2,984	2,971	3,109	3,019	2,960	2,893	2,865
<b>Total</b>	<b>36,541</b>	<b>33,517</b>	<b>35,945</b>	<b>35,053</b>	<b>37,257</b>	<b>37,646</b>	<b>35,960</b>	<b>34,379</b>	<b>33,595</b>	<b>34,127</b>

Source: The Human Capital Management (HCM) division of the Office of Management and Enterprise Services (OMES).

<sup>a</sup> HCM changed to the PeopleSoft HRMS system in FY2005. Information from FY2005 to current year includes only full-time, regular employees.

State of Oklahoma  
Capital Assets Utilization by Function-  
Primary Government  
Last Ten Fiscal Years  
(net of depreciation, expressed in thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Governmental activities:</b>										
Education	\$ 19,213	\$ 19,079	\$ 18,592	\$ 18,130	\$ 23,888	\$ 24,064	\$ 28,402	\$ 29,906	\$ 29,628	\$ 33,274
General Government	150,583	161,620	161,339	173,422	173,235	220,891	235,887	289,578	291,033	289,411
Health Services	32,003	30,632	28,161	28,784	142,580	149,604	146,835	162,355	157,101	151,996
Legal and Judiciary	20	139	300	302	125	387	310	349	1,066	824
Museums	6,760	6,607	6,454	6,576	6,594	11,156	12,662	12,505	13,169	13,920
Natural Resources	98,016	99,250	103,066	122,618	140,616	160,253	180,892	193,947	200,208	218,155
Public Safety and Defense	278,764	297,093	306,970	320,743	372,077	460,894	502,434	524,859	529,224	522,170
Regulatory Services	552	637	697	682	1,597	1,532	1,173	904	859	726
Social Services	192,402	198,744	203,034	209,140	97,722	122,358	118,942	115,417	104,439	86,288
Transportation	6,268,343	6,444,886	6,828,923	7,179,503	7,513,128	8,139,553	8,730,234	9,159,061	9,433,515	9,692,860
Governmental activities, net	<u>\$ 7,046,656</u>	<u>\$ 7,258,687</u>	<u>\$ 7,657,536</u>	<u>\$ 8,059,900</u>	<u>\$ 8,471,562</u>	<u>\$ 9,290,692</u>	<u>\$ 9,957,771</u>	<u>\$ 10,488,881</u>	<u>\$ 10,760,242</u>	<u>\$ 11,009,624</u>
<b>Business-type activities, net</b>	<u>\$ 175</u>	<u>\$ 608</u>	<u>\$ 1,028</u>	<u>\$ 771</u>	<u>\$ 527</u>	<u>\$ 330</u>	<u>\$ 202</u>	<u>\$ 126</u>	<u>\$ 1,037</u>	<u>\$ 1,415</u>



# State of Oklahoma

## Operating Indicators for Governmental Functions

### Fiscal Years 2007 – 2014

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>Government Administration</b>								
Department of Central Services								
Number of motor vehicles maintained	1,019	1,019	964	1,267	1,203	1,217	1,168	1,104
Number of buildings managed by DCS	17	17	17	18	18	19	20	20
<b>Health Services</b>								
Department of Health								
Protective services:								
Retail food establishment inspections	24,704	33,648	33,648	24,369	23,368	45,874	43,083	44,939
Food inspections	45,847	43,387	42,342	48,036	44,878	46,662	43,671	47,831
Nursing Homes:								
Facility licensing, inspections and complaints	3,335	3,622	2,314	2,120	1,912	4,078	2,223	2,492
Residents (approximate)	18,500	18,950	17,813	19,623	21,202	18,512	19,340	19,006
Mental Health and Substance Abuse Department								
Number of patients:								
Mental Health	44,623	47,422	52,226	54,804	56,478	65,356	65,314	* 166,181
Substance Abuse	19,470	21,084	22,144	20,981	18,881	19,351	18,208	37,292
Hospitals - Inpatient Care	3	3	3	3	3	3	3	3
<b>Legal and Judiciary</b>								
Oklahoma Indigent Defense system								
Provides legal representation for indigent citizens charged with committing criminal acts.								
Represented - Total Court Appointments	38,556	39,334	39,385	43,883	41,965	43,712	43,980	48,401
Included above: Non-capital trial cases	32,000	30,000	30,000	32,000	33,000	35,000	43,167	47,543
Capital trial cases	65	71	92	105	112	98	67	53
General appeals cases	696	596	529	558	609	540	595	648
Average cost: Non-capital case (Staff Attorney)	\$463	\$410	\$373	\$279	\$380	\$368	\$361	\$346
Capital case (Staff Attorney)	\$38,708	\$34,824	\$28,756	\$28,423	\$21,196	\$21,551	\$25,955	\$36,710
<b>Museums</b>								
J. M. Davis Memorial								
Museum - 40,000 sq. ft.								
Number of artifacts	45,000	48,012	48,012	48,012	48,012	50,000	50,000	50,000
Visitors per year (average)	22,000	22,000	22,000	22,000	22,000	35,000	30,000	30,000
Oklahoma Historical Society								
Center - 18 acres 215,000 sq. ft.								
Number of artifacts (on exhibit)	>2,000	>2,000	>2,000	>2,000	>2,000	>2000	>2000	>2000
Visitors and researchers per year (average)	200,000	225,000	244,000	244,000	185,491	254,634	214,723	183,251
Will Rogers Memorial								
Museum - 8 Galleries - 16,652 sq. ft.								
Library - 2,400 sq. ft.								
Archives - number of documents, photographs	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000
Visitors and researchers per year (average)	116,000	115,000	120,000	117,000	120,000	133,000	32,000	29,000
<b>Natural Resources</b>								
Wildlife Conservation								
Number of Anglers in State (last census)	774,000	697,000	697,000	697,000	697,000	729,000	729,000	729,000
Number of Hunters (last census)	261,000	445,000	445,000	445,000	445,000	244,000	244,000	244,000
Number of Wildlife Watchers (last census)	1,131,000	1,110,000	1,110,000	1,110,000	1,110,000	1,263,000	1,263,000	1,263,000

\* Increase due to ODMHSAS becoming responsible for Medicaid outpatient behavioral health.

\*\* Data for 2014 was not available at publication. The 2014 statistics have been estimated using the average annual totals from 2009 to 2013.

Source: Agency reports, Governor's annual budget report. Data above is the latest available at the date of publication.

*Note: GASB Statement 44 recommends, but does not require, the information in the statistical section to cover the last ten years or the period retroactive to the adoption of GASB statement 34. Fiscal year 2007 was the first year the operating indicators above were reported in the CAFR.*

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>Public Safety and Defense</b>								
Department of Public Safety								
Driver's Licenses Issued	1,011,457	902,069	954,419	744,878	690,131	694,557	741,938	835,807
Citations Processed	221,659	219,442	168,346	227,426	162,748	158,914	182,073	198,518
Collision Reports Processed	14,175	14,033	76,947	79,354	74,714	73,462	68,406	82,067
Department of Corrections								
Capacity (Number of Beds)	24,845	24,815	25,515	25,455	25,364	25,469	25,846	26,473
Prison Population	24,124	24,433	24,337	24,870	24,384	24,526	25,159	26,874
As a percentage of capacity	97.1%	98.5%	95.4%	97.7%	96.1%	96.3%	97.3%	101.5%
Cost to house an inmate:								
Per diem cost/day - Maximum Security	\$60.07	\$70.04	\$64.35	\$75.97	\$75.85	\$78.50	\$87.01	\$100.80
Per diem cost/day - Medium Security	\$51.94	\$56.10	\$44.93	\$42.41	\$38.98	\$38.94	\$40.17	\$47.47
<b>Regulatory Services</b>								
Oklahoma Corporation Commission **								
Number of regulated utilities	586	548	494	511	484	421	418	466
Hearings and administrative proceedings	33,523	32,273	35,582	29,981	30,504	31,805	40,052	33,585
Motor carrier vehicles registered (power units)	156,895	131,444	151,639	121,874	132,927	135,230	139,569	136,248
Oil and gas wells plugged (operator plugged)	2,016	1,699	1,629	1,582	2,926	1,948	1,319	1,881
Oil and gas wells plugged (abandoned, plugged by OCC)							167	167
Motor Fuel Facilities inspected	3,816	3,388	4,174	5,490	4,341	4,326	5,760	4,818
Retail fuel dispenser (pump) inspections	70,465	82,470	85,118	97,326	77,444	70,649	75,939	81,295
<b>Social Services</b>								
Department of Human Services								
Adoption subsidies (end of fiscal year)	9,923	10,051	10,951	11,924	12,384	13,114	13,706	14,123
Adult protective svcs (state fiscal year)	29,098	27,428	27,653	28,334	26,464	24,857	23,148	22,122
Child care services provided (monthly average)	45,246	40,250	39,079	39,060	39,017	36,444	34,722	33,322
Licensed facilities (monthly average)	5,533	4,762	4,696	4,561	4,376	4,213	3,960	3,825
Licensed capacity (monthly average)	140,507	137,743	137,973	136,534	136,816	135,585	132,625	131,150
Child protective services-Substantiated (state fiscal year)	13,827	11,714	8,605	7,248	8,110	9,842	11,418	14,172
Child support enforcement (cases-quarterly average)	169,394	182,228	188,327	193,000	198,390	202,743	203,209	206,746
Developmental Disabilities Persons Served (end of fiscal year)	12,692	13,724	14,063	14,352	14,602	9,894	9,772	9,777
Elderly support services (meals/state fiscal year)	4,117,680	4,005,247	3,902,997	6,176,989	6,098,275	6,265,779	6,105,823	6,056,081
Food stamps (unduplicated count/state fiscal year)	433,372	415,397	445,364	559,626	609,723	891,555	889,137	615,412
Foster care children (end of fiscal year)	7,898	12,108	9,489	7,973	8,502	9,132	10,233	11,483
Oklahoma Employment Security Commission								
Initial unemployment claims	112,153	107,308	183,159	218,918	183,849	155,885	124,170	108,758
Unemployment insurance paid	\$153,706,474	\$158,694,794	\$350,260,138	\$499,636,015	\$340,695,628	\$271,279,698	\$263,654,340	\$247,148,751
<b>Transportation</b>								
Oklahoma Department of Transportation								
State Highway System	12,266 miles	12,266 miles	12,266 miles	12,266 miles	12,882 miles	12,882 miles	12,882 miles	12,882 miles
Bridges on the State Highway System	6,728	6,728	6,728	6,728	6,800	6,800	6,800	6,800
System usage growth next 20 years (est.)								
Automobiles	33%	33%	33%	33%	65%	65%	65%	65%
Trucks	70%	70%	70%	70%	65%	65%	65%	65%
Freight railroads operating in Oklahoma	20	20	20	20	22	22	22	22
Passenger railroad	1	1	1	1	1	1	1	1
Rail passengers (average per year)	54,000	54,000	54,000	54,000	81,000	81,000	81,000	81,000
Railroad track	3,234 miles	3,234 miles	3,234 miles	3,234 miles	3,746 miles	3,746 miles	3,746 miles	3,746 miles
Public Waterway Ports	2	2	2	2	2	2	2	2

# State of Oklahoma

## Additional Information and Sources of Statistical Data

Fiscal Year 2014

### **Additional Information:**

The population of Oklahoma has steadily increased since 2004, averaging .95% per year.

At the end of December 2013, the Bureau of Labor Statistics reported the state's unemployment rate was 5.4% compared to the national rate of 6.7%. Oklahoma's unemployment rate has been below the national average since 1996.

Oklahoma's total personal income rate has increased at an average of 5.74% annually since 2004. During the same period Oklahoma's personal income per capita increased by 4.75% averaged annually compared to 3.60% nationally.

As a result, annual total tax collections since 2005 have increased by \$1,259,733,000 or 18.95%.

Please refer to the preceding Statistical Section tables, Management's Discussion and Analysis, the Financial Statements and Notes for more details and analysis.

### **Sources of Statistical Data:**

Data provided in the statistical section of the CAFR is the latest available at the time of publication.

Primary sources of statistical data provided in the Statistical Section of the CAFR include:

- Oklahoma Department of Commerce
- Oklahoma Department of Labor
- Oklahoma Employment Security Commission
- Oklahoma Tax Commission
- Oklahoma Department of Education
- Oklahoma Regents for Higher Education
- Oklahoma Department of Vocational and Technical Education
- Oklahoma Office of Management and Enterprise Services
- U. S. Bureau of Labor Statistics
- U. S. Census Bureau
- U. S. Department of Commerce
- U. S. Bureau of Economic Analysis

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State Agency Finance Officers and Team

Special Thanks To

Photos courtesy of Stefani Hovarter of the Office of Management and Enterprise Services

# 2014 OKLAHOMA

## General Information

Admitted to Union (46th State) .....	1907
Capital .....	Oklahoma City
2013 Population .....	3,850,568
Population per square mile .....	56.1
Counties .....	77

## State Symbols

Nickname .....	Sooner State
Motto .....	Labor Omnia Vincit ( Labor conquers all things)
Colors .....	Green and White
Flower .....	Oklahoma Rose
Floral Emblem .....	Mistletoe
Tree .....	Redbud
Bird .....	Scissor-tailed Flycatcher
Animal .....	American Buffalo
Fish .....	White Bass (Sand Bass)
Butterfly .....	Black Swallowtail
Reptile .....	Mountain Boomer (Collared Lizard)
Rock .....	Rose Rock
Wildflower .....	Indian Blanket

## Area

Total Area .....	69,899 square miles
Land Area .....	68,595 square miles
Water Area .....	1,304 square miles

## Recreation

Number of State Parks .....	53
Number of State Trails .....	91
Number of Lakes .....	200



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